



0000105207

14

Transcript Exhibit(s)

Docket #(s): W-01654A-08-0502

---

---

---

---

---

Exhibit #: A1-A6, S1-S5

---

---

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

2009 NOV 19 P 2:05

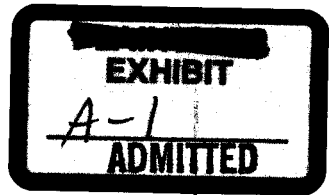
RECEIVED

Arizona Corporation Commission

DOCKETED

NOV 19 2009

DOCKETED BY	
-------------	--



BEFORE THE ARIZONA CORPORATION COMMISSION  
RECEIVED

COMMISSIONERS

MIKE GLEASON – Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

2008 SEP 29 P 1:20

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION  
OF FARMERS WATER CO., AN ARIZONA  
CORPORATION, FOR A  
DETERMINATION OF THE CURRENT  
FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR INCREASES  
IN ITS RATES AND CHARGES FOR  
UTILITY SERVICE.

DOCKET NO. W-01654A-

APPLICATION

Farmers Water Co. ("Company"), an Arizona corporation, submits this Application for an order establishing the fair value of its plant and property for the provision of public utility service and, based on such fair value, approving permanent rates and charges for utility service provided by the Company designed to produce a fair return thereon. In support of its request, the Company states as follows:

**I. INTRODUCTION**

1. The Company is a public service corporation engaged in providing water service in portions of Pima County, Arizona, pursuant to a Certificate of Convenience and Necessity ("CC&N") initially granted by the Arizona Corporation Commission ("Commission") in Decision No. 32055 (January 28, 1960). The Company's present rates and charges were approved in Decision No. 63749 (June 6, 2001).

2. The Company applied for and was granted an extension to its CC&N in Decision No. 68920 (August 29, 2006). In Decision No. 68920, the Company was ordered to file a rate case by June 30, 2008, using a 2007 Test Year. On June 16, 2008, the Company applied for a 90-day extension to file its rate case through and including September 29, 2008. In Decision No. 70473 (September 3, 2008), the Commission

1 granted the Company's request. The Company files this Application in compliance with  
2 Decisions 68920 and 70473.

3 3. The Company served approximately 2,240 service connections in the Test  
4 Year. Currently, the Company provides water utility service through four water systems:  
5 the Sahuarita, Continental and Santa Rita Springs and Sahuarita Highlands systems. At  
6 the time the Company's present rates were approved in Decision 63749 (June 6, 2001),  
7 the Company had approximately 913 service connections. Thus, since the test year  
8 which ended September 30, 1999 in the last rate case, the number of customers has  
9 increased almost two and one-half times.

10 4. The Company is located within the Tucson Active Management Area. The  
11 Company has requested confirmation of its compliance status from the Arizona  
12 Department of Revenue and Arizona Department of Environmental Quality and such  
13 requests are pending. The Company will file as a late filed Exhibit to this Application,  
14 compliance status upon receipt. The Company is current on all property taxes.

15 **II. FAIR VALUE DETERMINATION AND RATE INCREASE**

16 5. In this Application, the Company seeks a determination of the current, fair  
17 value of its property devoted to public service and approval of permanent adjustments to  
18 its rates and charges for utility service based upon that determination.

19 6. Filed concurrently in support of this Application is the direct testimony of  
20 Thomas J. Bourassa, C.P.A., who will be sponsoring the Company's schedules. Mr.  
21 Bourassa has prepared the schedules required for the rate applications of Class C water  
22 utilities in accordance with A.A.C. R14-2-103, with the exception of Schedules B-3 and  
23 B-4 because the Company is requesting to use its original cost rate based ("OCRB") as  
24 its Fair Value Rate Base ("FVRB"), instead of using a reconstructed costs new rate base.  
25 Mr. Bourassa's testimony and supporting schedules are attached as Exhibit A. The Test  
26 Year used by the Company in connection with the preparation of such schedules is the  
27 12-month period ending September 30, 2007.  
28

1           7. During the Test Year, the Company's adjusted FVRB was negative \$691,697  
2 and the adjusted Test Year operating loss is over \$68,800. An increase in revenues is  
3 necessary to provide a 10 percent operating margin of approximately \$200,072, an  
4 increase of approximately 35.52 percent over the adjusted and annualized Test Year  
5 revenues. Consequently, a rate increase is necessary to earn a reasonable return on the  
6 fair value of the Company's utility plant and property devoted to public service.  
7 Therefore, the Company requests certain increases to its rates and charges for water  
8 service as set forth on pages 15-16 of Mr. Bourassa's testimony.

9       **III. NOTICE**

10           8. All communications, correspondence, and discovery regarding this  
11 Application, as well as communications and pleadings filed by any other parties, should  
12 be served on the following:

13           Jeff Crockett, Esq.  
14           Robert J. Metli, Esq.  
15           Snell & Wilmer L.L.P.  
16           One Arizona Center  
17           Phoenix, Arizona 85004-2202  
18           Phone: (602) 382-6000  
19           Fax: (602) 382-6070  
20           Email: [jcrocket@swlaw.com](mailto:jcrocket@swlaw.com)  
21                 [Rmetli@swlaw.com](mailto:Rmetli@swlaw.com)

22           Warren E. Culbertson  
23           Chief Executive Officer  
24           Farmers Water Co.  
25           P. O. Box 7  
26           Sahuarita, Arizona 85629

27       **IV. PRAYER FOR RELIEF**

28           For the foregoing reasons, the Company requests the following relief:

          A. That the Commission at the earliest time possible conduct a hearing in  
accordance with A.R.S. § 40-251 and determine the fair value of the Company's utility  
plant and property devoted to public service;

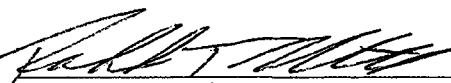


B. Based upon such determination, that the Commission approve permanent adjustments to the rates and charges for utility service provided by the Company, as proposed in this Application, or approve such other just and reasonable rates and charges based upon the fair value of the Company's utility plant and property; and

C. That the Commission authorizes such other and further relief as may be appropriate to ensure that the Company has an opportunity to earn just and reasonable rates and charges and as may otherwise be required under Arizona law.

RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of September, 2008.

SNELL & WILMER LLP.

By   
Jeffrey W. Crockett  
Robert J. Metli  
One Arizona Center  
400 E. Van Buren  
Phoenix, AZ 85004-2202  
Attorneys for Farmers Water Co.

ORIGINAL and thirteen (13) copies  
filed this 29<sup>th</sup> day of September, 2008, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing mailed on this  
29<sup>th</sup> day of September, 2008, to:

Janice Alward  
Chief Legal Counsel  
Legal Department  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Gordon Fox  
Finance, Rates & Accounting  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

By   
9130936.1

1 Jeffrey W. Crockett, Esq.  
2 Robert J. Metli, Esq.  
3 SNELL & WILMER L.L.P.  
4 One Arizona Center  
5 400 East Van Buren  
6 Phoenix, AZ 85004-2202  
7 Attorneys for Farmers Water Co.

8  
9  
10 **BEFORE THE ARIZONA CORPORATION COMMISSION**

11 IN THE MATTER OF THE  
12 APPLICATION OF FARMERS  
13 WATER CO., AN ARIZONA  
14 CORPORATION, FOR A  
15 DETERMINATION OF THE  
16 CURRENT FAIR VALUE OF ITS  
17 UTILITY PLANT AND PROPERTY  
18 AND FOR INCREASES IN ITS RATES  
19 AND CHARGES FOR UTILITY  
20 SERVICE.

DOCKET NO. W-01654A-

21  
22 **DIRECT TESTIMONY OF**  
23 **THOMAS J. BOURASSA**  
24 **ON BEHALF OF**  
25 **FARMERS WATER CO.**  
26  
27  
28

1           **I. INTRODUCTION AND QUALIFICATIONS**

2           **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3  
4           A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,  
5           Phoenix, Arizona 85029.

6           **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

7           A. I am a Certified Public Accountant and am self-employed, providing consulting  
8           services to utility companies as well as general accounting services. I have a B.S.  
9           in Chemistry/Accounting from Northern Arizona University (1980) and an M.B.A.  
10          with an emphasis in Finance from the University of Phoenix (1991).

11          **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**  
12          **REGULATORY EXPERIENCE?**

13          A. Yes. I was employed by High-Tech Institute, Inc., and served as controller and  
14          chief financial officer, prior to becoming a private consultant. Prior to working for  
15          High-Tech Institute, I worked as a division controller for the Apollo Group, Inc.  
16          Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs.  
17          In that position, I prepared compilations and other write-up work for water and  
18          wastewater utilities, as well as tax returns.

19                 In my private practice, I have prepared and/or assisted in the preparation of  
20          water and wastewater utility rate applications before the Arizona Corporation  
21          Commission ("Commission"). Attached at Exhibit A is a summary of my  
22          regulatory work experience.

23  
24          **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

25          A. I am testifying in this proceeding on behalf of the applicant, Farmers Water Co.  
26          ("Farmers" or "the Company"). Farmers is seeking increases in its rates and  
27          charges for water utility service in its certificated service area in Pima County.  
28

1           **II.    OVERVIEW OF THE COMPANY'S APPLICATION.**

2           **Q.    WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

3           A.    I will testify in support of the Company's proposed rates. I am sponsoring  
4               Schedules A through H, which are filed concurrently herewith in support of the  
5               Company's application. I was responsible for the preparation of these schedules  
6               based on my investigation and review of the relevant books and records for the  
7               Company.  
8

9           **Q.    PLEASE SUMMARIZE THE COMPANY'S APPLICATION.**

10          A.    Farmers is a Class "C" utility pursuant to A.A.C. R14-2-103(A)(3)(q). The test  
11               year used by Farmers is the 12-month period which ended September 30, 2007, the  
12               end of the Company's fiscal year for 2007. Since the Company has a negative rate  
13               base and a return on rate base is not meaningful, a cost of capital analysis has not  
14               been performed. Instead, the revenue requirement is determined based on an  
15               operating margin approach.  
16

17                       The Company proposes a 10 percent operating margin which will provide  
18                       revenues necessary to provide sufficient funds for on-going operating expenses  
19                       help fund expected capital repairs and improvements, and maintain the Company's  
20                       financial stability.  
21

22                       The Company has proposed certain pro forma adjustments to take into  
23                       account known and measurable changes to rate base, expenses and revenues.  
24                       These pro forma adjustments are consistent with normal ratemaking and with the  
25                       Commission's rules and regulations. They are also necessary to obtain a normal or  
26  
27  
28

1 realistic relationship between revenues, expenses and rate base.

2 The Company's fair value rate base is a negative \$691,697. The increase in  
3 revenues to provide a 10 percent operating margin is approximately \$200,072, an  
4 increase of approximately 35.52 percent over the adjusted and annualized test year  
5 revenues.  
6

7 **Q. WHY IS THE COMPANY FILING FOR RATE INCREASES AT THIS**  
8 **TIME?**

9 A. Farmers was ordered to file a rate case in Decision 68920 (Docket W-01654A-05-  
10 0845) dated August 29, 2006, a decision which granted an extension of the  
11 Company's Certificate of Convenience and Necessity. Decision 68920 specified  
12 that the Company use 2007 test year. On June 16, 2008, the Company applied for  
13 a 90-day extension of time, until September 29, 2008, to file its rate case. In  
14 Decision 70473 (September 3, 2008), the Commission granted the Company's  
15 request.

16 The Company's present rates were approved in Decision 63749 (June 6,  
17 2001). The prior case test year was the 12 months ending September 30, 1999.  
18 Since that time the Company has grown from approximately 912 service  
19 connections and now serves approximately 2,240 service connections. The  
20 adjusted test year results show an adjusted operating loss of over \$68,800.

21 **III. SUMMARY OF A, D, E AND F SCHEDULES.**  
22

23 **Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES.**  
24 **PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.**

25 A. The A-1 Schedule is a summary of the rate base, operating income, current  
26 operating margin, required operating margin, operating income deficiency, and the  
27 increase in gross revenue. Farmers is requesting a 10 percent operating margin.  
28

1 Revenues at present and proposed and customer classifications are also shown on  
2 this schedule.

3  
4 **Q. WHY IS THE COMPANY REQUESTING A 10 PERCENT OPERATING MARGIN?**

5 A. Because the Company's rate base is negative, a rate of return approach is not  
6 meaningful. A 10 percent operating margin is the minimum operating margin  
7 necessary to provide sufficient annual cash flows to pay operating expenses as well  
8 as to help fund anticipated capital repairs, maintenance and improvements over the  
9 next several years.

10 **Q. PLEASE CONTINUE.**

11 A. The A-2 Schedule is a summary of results of operations for the test year, prior  
12 years, and a projected year at present rates and proposed rates.

13 Schedules A-3 and A-5 are not required for a Class C utility and have not  
14 been submitted since Farmers is a Class C utility.

15 Schedule A-4 contains the plant construction and plant-in-service for the test  
16 year and prior years. The projected plant additions are also shown on this  
17 schedule.

18 The E Schedules are based on the Company's actual operating results, as  
19 reported by the Company in annual reports filed with the Commission. The E-1  
20 Schedule contains the comparative balance sheet data for the years ended  
21 September 30, 2005, 2006, and 2007.

22 Schedule E-2, page 1, contains the income statement for the years ended  
23 September 30, 2005, 2006, and 2007.

24 Schedules E-3 and E-4 are not required for a Class C utility and have not  
25 been submitted since Farmers is a Class C utility.

26 Schedule E-5 contains the Company's plant-in-service at the end of the test  
27 year, and one year prior to the end of the test year.  
28

1 Schedule E-6 pertains to combination utilities, and since Farmers is not a  
2 combination utility, this schedule has not been submitted.

3 Schedule E-7 contains operating statistics for the years ended September 30,  
4 2005, 2006, and 2007.

5 Schedule E-8 contains the taxes charged to operations.

6 The accountant's notes to the financial statements and the financial  
7 assumptions used in preparing the rate filing schedules are shown on Schedules E-9  
8 and F-4, respectively, in accordance with the Commission's standard filing  
9 requirements. The Company does not conduct independent audits of its financial  
10 statements.

11 Schedule F-1 contains the results of operations at the present rates (actual  
12 and adjusted), and at proposed rates.

13 Schedule F-2 is not required for a Class C utility and has not been submitted  
14 because Farmers is a Class C utility.

15 Schedule F-3 shows the Company's projected construction requirements for  
16 the years ended September 30, 2008, 2009, and 2010.

17 Schedule F-4 contains the assumptions used in developing the adjustments  
18 and projections contained in the rate filing.

19 **Q. WOULD YOU PLEASE DISCUSS THE D SCHEDULES?**

20 A. The D-1 schedule shows the common equity and long-term debt. While the  
21 adjusted test year equity is a positive \$260,593, rate base is negative.

22 **IV. RATE BASE B SCHEDULES.**

23 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**  
24 **LABELED AS THE B SCHEDULES?**

25 A. Yes. I will start with the B-5 schedules, which are the working capital allowance  
26 schedules. The results produced by the "formula method" of computing the  
27 working capital allowance are shown on each.

28 **Q. IS THE COMPANY REQUESTING WORKING CAPITAL?**

1 A. No. The Company is not requesting working capital to help eliminate issues  
2 between the parties.

3 **Q. PLEASE CONTINUE.**

4 A. The Company did not file schedules B-3 and B-4. The Company is requesting that  
5 its original cost rate base ("OCRB") be used as its fair value rate base ("FVRB").

6 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**  
7 **THE ORIGINAL COST RATE BASE?**

8 A. Yes. The schedule B-2, shows adjustments to the OCRB proposed by the  
9 Company.

10 Schedules B-2, pages 2 through 4 are the supporting schedules. The B-2  
11 adjustments in summary are as follows:

12 Adjustment number 1 increases plant in service and reduces accumulated  
13 depreciation to the re-computed amounts per the Company's plant schedules. The  
14 details are shown on schedule B-2, pages 2.1 to 2.10.

15 **Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON B-**  
16 **2 REFLECT THE LAST COMMISSION RATE ORDER?**

17 A. Yes. The plant shown on Schedule B-2 started with the Commission-determined  
18 plant from the last rate case. B-2 schedule, pages 2.1 through 2.10, show plant  
19 additions and retirements since the test year in that case have been added to and  
20 deducted from total plant shown on schedule B-2. B-2 schedule, pages 2.9 and  
21 2.10, show the computed accumulated depreciation balances by year since the last  
22 test year through the end of the test year in the instant case.

23  
24 **Q. WHY WAS THERE A DIFFERENCE BETWEEN THE RECORDED**  
25 **PLANT-IN-SERVICE AND ACCUMULATED DEPRECIATION AT THE**  
26 **END OF THE TEST YEAR AND THE RE-COMPUTED AMOUNTS?**

27 A. The plant-in-service has been adjusted because the Company did not record plant  
28



1 adjustments adopted in prior Commission decisions. Book accumulated  
2 depreciation was overstated because the Company did not use the depreciation  
3 rates adopted in the prior ACC decision for recording book depreciation.  
4

5 **Q. PLEASE CONTINUE.**

6 **A.** Adjustment number 2 adjusts advances-in-aid of construction ("AIAC") to the re-  
7 computed amounts, as shown on schedule B-2, pages 3.1 and 3.2. The AIAC  
8 balances shown on pages 3.1 and 3.2 begin with the Commission-determined  
9 AIAC balance from the prior case and reflect all additions and refunds through the  
10 end of the test year.  
11

12 **Q. WHY WAS THERE A DIFFERENCE BETWEEN THE RECORDED AIAC**  
13 **AT THE END OF THE TEST YEAR AND THE RE-COMPUTED**  
14 **AMOUNT?**

15 **A.** The Company erroneously included CIAC amortization for 2007 in the 2007  
16 balance. This should have been reported with depreciation expense on the income  
17 statement.  
18

19 **Q. WHY WAS THERE A DIFFERENCE BETWEEN THE RECORDED CIAC**  
20 **AND ACCUMULATED AMORTIZATION AT THE END OF THE TEST**  
21 **YEAR AND THE RE-COMPUTED AMOUNTS?**

22 **A.** There are two reasons for this. First, the Company erroneously recorded annual  
23 amortization in the CIAC account rather than recording the annual amortization to  
24 the accumulated amortization account, thereby understating the gross CIAC  
25 balance and understating accumulated amortization. Second, the Company used  
26 incorrect amortization rates for computing amortization.

27 **Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON**  
28 **A-1 DETERMINED?**

1 A. The FVRB shown on Schedule A-1 is based on OCRB.

2  
3 **V. RATE BASE B SCHEDULES.**

4 **Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO**  
5 **THE INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.**

6 A. The following is a summary of adjustments for Schedule C-1:

7 Adjustment 1 annualizes depreciation expense. The depreciation rates  
8 approved in the prior rate case were account-specific rates which were based on  
9 Staff-recommended depreciation rates in the prior case. The Company proposes  
10 minor changes to the depreciation rates. The minor changes are based on more  
11 recent information on typical and customary depreciation rates recommended by  
12 the Commission's Utilities Division Staff's ("Staff"). Specifically, the Company  
13 proposes that the depreciation rate for pumping equipment be changed from 20% to  
14 12.5%. All other proposed depreciation rates match Staff's most recent  
15 recommendations on typical and customary rates. The proposed depreciation rate  
16 for each component of utility plant is shown on Schedule C-2, page 2.

17 Adjustment 2 increases the property taxes based on proposed revenues.

18 **Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**  
19 **RATES?**

20 A. To determine full cash value, I used the method employed by the Arizona  
21 Department of Revenue - Centrally Valued Properties ("ADOR" or "the  
22 Department"). This method determines full cash value by using twice the average  
23 of three years of revenue, plus an addition for Construction Work in Progress  
24 ("CWIP") and a deduction for the book value of transportation equipment. In the  
25 instant case, I used two times the adjusted revenues for 2007, and revenues at  
26 proposed rates. The assessed value (22 percent of full cash value) was then  
27  
28

1 multiplied by the property tax rate to determine adjusted property tax expense.

2 The 2007 property tax year assessment ratio was 24 percent, but the Company is  
3 proposing the assessment ratio for 2009, or 22 percent, in order to be conservative.  
4

5 **Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH**  
6 **REVENUES PROPER RATE MAKING?**

7 A. Yes. Like income taxes, property taxes must be adjusted to ensure that the new  
8 rates are sufficient to produce the authorized return on rate base. For this reason,  
9 the Commission has repeatedly utilized proposed revenue increases to determine an  
10 appropriate level of property tax expense to be recovered through rates.  
11

12 **Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?**

13 A. Yes. This has been done in other Commission decisions including Chaparral City  
14 Water Company, Decision No. 68176 (September 30, 2005); Rio Rico Utilities,  
15 Decision No. 67279 (October 5, 2004) at 8; Arizona Water Company, Decision No.  
16 64282 (December 28, 2001) at 12-13; Bella Vista Water Company, Decision No.  
17 65350 (November 1, 2002) at 16; Arizona-American Water Company, Decision  
18 No. 67093 (June 30, 2004) at 9-10. In fact, the methodology is consistent with  
19 these decisions where two years of adjusted test year revenues and one year of  
20 proposed revenues were used to determine full cash value. In the Arizona-  
21 American Water Company rate proceeding (Decision 67093), the Commission  
22 concluded that:  
23  
24

25 "Staff calculated property taxes using its proposed adjusted  
26 test year revenues twice and its recommended revenues once  
27 to calculate a three year average of revenues. We agree with  
28 Staff that using only historical revenues to calculate property  
taxes to include in the cost of service fails to capture the

1 effects of future revenue from new rates, and can result in an  
2 understatement or overstatement of property tax expense.”  
3 Decision 67093 at 9-10.

4 **Q. MR. BOURASSA, ISN'T THERE A LAG FROM THE TIME NEW RATES**  
5 **CHARGED CUSTOMERS GO INTO EFFECT AND THE DATE ON**  
6 **WHICH PROPERTY TAXES ARE ACTUALLY PAID?**

7 **A.** Yes. As an example, if new rates for the Company went into effect on January 1,  
8 2010, property taxes based on these new rates would first appear on the property  
9 tax bill received in September 2011. However, the Company should be accruing  
10 property taxes to match the revenues collected. Thus, there is no mismatch  
11 between revenues and expenses. Moreover, the property taxes resulting from my  
12 calculation are based on only a portion of proposed revenues. To properly consider  
13 the future impact of the rate increases, I should have computed the proposed  
14 property taxes based only on proposed revenues rather than averaging proposed  
15 and historic revenues. Consequently, this adjustment is conservative.

16 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME**  
17 **STATEMENT ADJUSTMENTS.**

18 **A.** Adjustment 3 shows the rate case expense. Rate case expense is estimated to be  
19 \$75,000. The Company is proposing to amortize rate case expense over five years.  
20 The impact on the test year is \$15,000.

21 **Q. DO YOU BELIEVE THIS IS A REASONABLE AMOUNT OF RATE CASE**  
22 **EXPENSE GIVEN THE REQUESTED INCREASE IN REVENUE?**

23 **A.** Yes. Factors that influence rate case expense include the nature and requirements  
24 of the Commission's ratemaking process and the number of parties, issues and  
25 complexity of the proceedings.  
26  
27  
28

1 **Q. PLEASE DISCUSS THESE FACTORS?**

2 A. The Company cannot raise its rates except by filing for rate relief and the  
3 Commission dictates the process for obtaining rate relief. The Company, with  
4 roughly 2,240 customers, is a Class C utility and has to file many of the same  
5 schedules as a Class A (i.e., APS, Arizona Water, SW Gas) utility with hundreds of  
6 thousands of customers. In addition to the filing and notice requirements imposed  
7 by the Commission, the Company must prepare two to three rounds of pre-filed  
8 testimony, participate in all of the procedural and evidentiary hearings and open  
9 meetings, and file closing briefs.  
10

11 The number of parties also has a substantial impact on rate case expense.  
12 Customers and other intervenors add to rate case expense and the complexity of the  
13 proceedings. The number and complexity of disputed issues also influences total  
14 rate case expense, and those impacts cannot be known until the case proceeds.  
15

16  
17 **Q. IS THIS WHY YOU REFERRED TO THE RATE CASE EXPENSE AS AN**  
18 **ESTIMATE?**

19 A. Yes, and I can only consider the foreseeable. If things turn out more complicated  
20 than anticipated, if there are intervenors, the Company will modify its request to  
21 account for that increased expense. Conversely, if the case proceeds and rate case  
22 expense is lower than expected, we would make an appropriate adjustment  
23 downward.  
24

25 **Q. SHOULDN'T THE COMPANY BEAR SOME OF THE BURDEN OF RATE**  
26 **CASE EXPENSE?**

27 A. As a practical matter, the utility always does. My estimate of \$75,000 assumes the  
28

1 Company will actually incur a higher amount of total rate case expense. I would  
2 also agree that if the utility does something improper, or advances positions in bad-  
3 faith, it should shoulder the burden of such actions. But, as I testified, the  
4 Commission dictates the process, not the utility and absent such circumstances, the  
5 utility must be allowed to recover its reasonably incurred rate case expense.  
6

7 **Q. PLEASE CONTINUE.**

8  
9 **A.** Adjustment 4 annualizes revenues to the year-end number of customers for each  
10 meter size. This adjustment is intended to increase revenues on the basis that the  
11 number of customers at year end were receiving service during the entire 12  
12 months of the test year. The annualization was based on the number of customers  
13 at the end of the test year, compared to the actual number of customers on each size  
14 meter during each month of the test year. Average revenues by month were  
15 computed for the test year for each meter size. The average revenues were then  
16 multiplied by the increase (or decrease) in number of customers for each month of  
17 the test year. In addition to the annualization of revenues to the year-end number  
18 of customers, the revenue annualization also includes increases in revenues based  
19 on proposed increases in miscellaneous service charges.  
20  
21

22 Adjustment 5 annualizes purchased power costs based on the additional  
23 gallons sold by annualizing revenues to the year-end number of customers.  
24

25 Adjustment 6 re-classes payroll taxes recorded in salaries and wages for the  
26 test year to taxes other than income.

27 Adjustment number 7 re-classes worker's compensation insurance recorded  
28

1 during the test year to insurance – worker’s compensation.

2 Adjustment 8 annualizes salaries and wages, payroll taxes, and workers  
3 compensation insurance based on wage increases granted in 2008.

4  
5 Adjustment 9 removes other income and expenses to eliminate effects on  
6 income taxes.

7 Adjustment 10 reflects the income taxes at the effective tax rate for taxable  
8 income at the proposed revenues and expenses.

9  
10 **VI. RATE DESIGN H SCHEDULES.**

11 **Q. WHAT ARE THE COMPANY’S PRESENT RATES?**

12 **A.** Farmer’s present rates for the various meter sizes are as follows:

13  
14

<u>Meter Size</u>	<u>Monthly Minimum</u>	<u>Gallons included in Monthly Minimum</u>
15 5/8	16 \$ 6.50	17 0
18 3/4	19 \$ 6.50	20 0
21 1	22 \$ 9.00	23 0
24 1 1/2	25 \$ 13.00	26 0
27 2	28 \$ 19.50	29 0
30 3	31 \$ 25.00	32 0
33 4	34 \$ 32.00	35 0
36 6	37 \$ 40.00	38 0

39 The Company’s commodity charges and tiers by meter size are:

40

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
-----------------------	-----------------------	-------------------------------------

41

All meter sizes	1 to 5,000	\$ 1.25
	5001 to 10,000	\$ 1.45
	Over 10,000	\$ 1.65

The standpipe service or bulk rate commodity rate is \$1.25.

**Q. WHAT ARE THE COMPANY'S PROPOSED RATES?**

**A.** Farmer's proposed rates for the various meter sizes are:

<u>Meter Size (All Classes)</u>	<u>Monthly Minimum</u>	<u>Gallons included in Monthly Minimum</u>
5/8	\$ 8.26	0
3/4	\$ 8.26	0
1	\$ 10.32	0
1 1/2	\$ 20.64	0
2	\$ 33.02	0
3	\$ 66.04	0
4	\$ 103.19	0
6	\$ 206.38	0

The Company's proposed commodity charges and tiers by meter size are:

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
5/8 and 3/4 - Residential	1 to 4,000	\$ 1.45
	4,001 to 10,000	\$ 1.94
	Over 10,000	\$ 2.51
5/8 and 3/4 - Com., Ind.	1 to 10,000	\$ 1.94



1		Over 10,000	\$ 2.51
2	1 - Res.,Com., Ind., MF	1 to 12,500	\$ 1.94
3		Over 12,500	\$ 2.51
4	1 ½ - Res.,Com., Ind., MF	1 to 25,000	\$ 1.94
5		Over 25,000	\$ 2.51
6	2 - Res.,Com., Ind., MF	1 to 40,000	\$ 1.94
7		Over 40,000	\$ 2.51
8	3 - Res.,Com., Ind., MF	1 to 80,000	\$ 1.94
9		Over 80,000	\$ 2.51
10	4 - Res.,Com., Ind., MF	1 to 125,000	\$ 1.94
11		Over 125,000	\$ 2.51
12	6 - Res.,Com., Ind., MF	1 to 250,000	\$ 1.94
13		Over 250,000	\$ 2.51
14			
15			
16			

(Res. = Residential, Com. = Commercial, Ind. = Industrial, MF = Multi-family)

The proposed standpipe rate and bulk water rate is \$ 2.51 per 1,000 gallons with no minimum monthly charge.

**Q. DID YOU PREPARE A COST OF SERVICE STUDY TO DERIVE THE MONTHLY MINIMUMS AND COMMODITY RATES?**

**A.** No. The monthly minimums are half-scaled based on the relative flow compared to the flows of a 5/8 inch meter. Half-scaling is proposed for this case to help lessen the impact on the larger meters. Since the current monthly minimums are not scaled properly, full scaling at this time will increase the rates on the larger meters disproportionately. Half-scaling follows the principle of gradualism.

1 Q. WOULD A COST OF SERVICE STUDY DETERMINE THE COMMODITY  
2 RATES IF THE COMMODITY RATES ARE INVERTED - THAT IS, THE  
3 CHARGE PER 1,000 GALLONS INCREASES AS MORE WATER IS  
4 USED?

5 A. No. A cost of service study will determine the revenues that should be collected  
6 from monthly minimum charges and the revenues that should be collected from the  
7 rates charged for the commodity. Inverted rates for the commodity charge are not  
8 justified based on cost of service. Inverted rates are designed to encourage water  
9 conservation which is an important objective.

10 Q. ARE THE TIERS FOR THE COMMODITY RATES THE SAME FOR  
11 EACH SIZE METER? IF NOT, WOULD YOU PLEASE EXPLAIN WHY  
12 THE TIERS ARE DIFFERENT?

13 A. No, the commodity rate tiers are different for 5/8-inch and 3/4-inch, and 1-inch and  
14 larger meters. The 5/8 and 3/4-inch residential meters have a three-tier design, while  
15 the 5/8 and 3/4-inch non-residential as well as the 1-inch and larger meters (all  
16 classes) have a two-tier design with break over points scaled by meter size. The  
17 monthly minimum charges are higher for meters larger than 5/8-inch and reflect the  
18 higher potential demand that these customers place on the system. A customer on  
19 a meter size larger than 5/8-inch is already paying for his or her higher demand.  
20 Thus, the commodity rate tiers reflect the higher monthly minimums already being  
21 paid. To achieve a balance for higher monthly minimums being paid, customers on  
22 larger sized meters should have more gallons in each rate tier. As with the  
23 monthly minimums, the break over points for the 1-inch and larger meters are half-  
24 scaled and based on the second break over point of the 5/8-inch residential meters.

25 Q. WHAT IS THE IMPORTANCE OF THE COMMODITY RATES, AND  
26  
27  
28

1           **HOW DID YOU COMPUTE THEM?**

2   A.   The first goal of commodity rates should be to generate the revenue requirement.  
3       Thus, commodity rates are very important. The second goal of the commodity  
4       rates should be that they are understandable by customers. The third goal of the  
5       commodity rates is to give customers a price signal to encourage water usage  
6       conservation.

7  
8   **Q.   WHY IS THE COMPANY PROPOSING THIS RATE DESIGN?**

9   A.   The Company chose this rate design to encourage water conservation, help  
10       maintain revenue stability, and to adopt a more typical rate design approved by this  
11       Commission in recent years, while distributing the rate increase to all meter sizes  
12       as equitably as possible.

13  
14   **Q.   WHAT IS THE RATE IMPACT ON RESIDENTIAL CUSTOMERS USING  
15       THE MONTHLY AVERAGE WATER USAGE?**

16   A.   Residential customers on 5/8-inch meters who consume the average quantity of  
17       water (5,898 gallons per month) will experience a rate increase of \$3.69 per month,  
18       or an increase of approximately 26.25 percent.

19   **Q.   WHAT IS THE RATE IMPACT ON THE 1 INCH RESIDENTIAL  
20       CUSTOMERS USING THE MONTHLY AVERAGE WATER USAGE?**

21   A.   Residential customers on 1-inch meters who consume the average quantity of water  
22       (9,316 gallons per month) will experience a rate increase of \$6.90 per month, or an  
23       increase of approximately 32.09 percent.

24  
25   **Q.   ARE THERE ANY CHANGES TO MISCELANEOUS CHANGES?**

26   A.   Yes. The Company has proposed some changes to miscellaneous service charges  
27       increasing some existing tariff charges as well as adding new tariff charges. The  
28

1 present and proposed miscellaneous charges are shown on schedule H-3, page 3.

2 **Q. HAVE YOU INCLUDED THE INCREASES IN SERVICE CHARGES IN**  
3 **YOUR REVENUE ANNUALIZATION?**

4 **A.** Yes. The revenues and expense revenue annualization adjustment number 4  
5 discussed above includes the impact of the Company's proposed increases in  
6 miscellaneous service charges.  
7

8 **Q. PLEASE CONTINUE.**

9 **A.** The Company also proposes new service line and meter installation charges which  
10 are based on Staff Engineering estimates. It has been over 7 years since the  
11 current charges were set and they need to be updated to reflect more current costs.  
12 The proposed meter and service line installation charges, as shown on schedule H-  
13 3, page 4, are based on Staff's most recent memo on typical meter and service line  
14 installation charges dated February 21, 2008.  
15

16 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

17 **A.** Yes.  
18

9143798.1

19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit A**  
**RESUME OF THOMAS J. BOURASSA, CPA**

**EDUCATIONAL BACKGROUND**

B.S. Northern Arizona University Chemistry/Accounting (1980)  
M.B.A. University of Phoenix with Emphasis in Finance (1991)  
C.P.A. State of Arizona (1995)

**EMPLOYMENT EXPERIENCE**

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required.  Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager
1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.
1981-1982	Employed by Purdue University, West Lafayette, Indiana as Teaching Assistant.

**SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED  
CONSULTANT**

**COMPANY/CLIENT**

Far West Water and Sewer Company  
Docket WS-03478A-08-0454

Far West Water and Sewer Company  
Docket WS-03478A-07-0442

Johnson Utilities  
Docket WS-02987A-08-0180

Orange Grove Water Company  
Docket W-02237A-08-0455

Oak Creek Water No.1  
Docket W-01392A-07-0679

ICR Water Users Association  
Docket W-02824-07-0388

H2O, Inc  
Docket W-02234A-07-0550

Diamond Ventures – Verano  
Docket WS-02824A-07-0388

**FUNCTION**

Permanent Rate Application. Sewer.  
Prepared schedules and testified on Rate  
Base, Plant, Income Statement, Revenue  
Requirement, Rate Design and Cost of  
Capital.

Financing Application. Prepare schedules  
to support application.

Permanent Rate Application. Water and  
Sewer. Prepared schedules and testified  
on Rate Base, Plant, Income Statement,  
Revenue Requirement, Rate Design and  
Cost of Capital.

Permanent Rate Application. Prepared  
schedules on Plant, Income Statement,  
Revenue Requirement, and Rate Design.

Permanent Rate Application. Prepared  
schedules and testified on Rate Base,  
Plant, Income Statement, Revenue  
Requirement, and Rate Design.

Permanent Rate Application. Prepared  
schedules and testified on Rate Base,  
Plant, Income Statement, Revenue  
Requirement, and Rate Design.

Permanent Rate Application. Prepared  
schedules and testified on Rate Base,  
Plant, Income Statement, Revenue  
Requirement, Rate Design, and Cost of  
Capital.

Certificate of Convenience and Necessity  
– Water. Prepared pro-forma balance  
sheets, income statements, plant  
schedules, rate base, financing, and initial  
rate design.

**COMPANY/CLIENT**

Valley Utilities  
Docket W-01412A-07-0561

Valley Utilities  
Docket W-01412A-07-280

Valley Utilities  
Docket W-01412A-07-0278

Litchfield Park Service Company  
Docket W-01427A-06-0807

Golden Shores Water Company  
Docket W-01815A-07-0117

Diablo Village Water Company  
Docket W-02309A-07-0140

Diablo Village Water Company  
Docket W-02309A-07-0399

Sahuarita Water Company  
(Rancho Sahuarita Water Co.)  
Docket W-03718A-07-0687

Utility Source, L.L.C.  
Docket WS-04235A-06-0303

**FUNCTION**

Financing Application. Prepare schedules to support application.

Emergency Rate Application. Prepare schedules to support application.

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Off-site facilities hook-up fee application. Prepare schedules to support application.

Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Permanent Rate Application- Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

**COMPANY/CLIENT**

Goodman Water Company  
Docket W-02500A-06-0281

Links at Coyote Wash Utilities  
Docket SW-04210A-06-0220

New River Utilities  
Docket W-0173A-06-0171

Johnson Utilities  
Docket WS-02987A-04-0501  
Docket WS-02987A-04-0177

Bachmann Springs Utility  
Docket WS-03953A-07-0073

Avra Water Cooperative  
Docket W-02126A-06-0234

Gold Canyon Sewer Company  
Docket SW-025191A-06-0015

Far West Water and Sewer Company  
Docket WS-03478A-05-0801

Black Mountain Sewer Company

**FUNCTION**

Permanent Rate Application (Class C).  
Water. Prepared schedules and testified  
on Rate Base, Plant, Income Statement,  
and Cost of Capital.

Certificate of Convenience and Necessity  
– Sewer. Prepared pro-forma balance  
sheets, income statements, plant  
schedules, rate base, financing, and initial  
rate design.

Extension Certificate of Convenience and  
Necessity – Water. Prepared pro-forma  
balance sheets, income statements, plant  
schedules, rate base, and financing.

Extension of Certificate of Convenience  
and Necessity – Sewer. Prepared pro-  
forma balance sheets, income statements,  
plant schedules, rate base, financing, and  
initial rate design.

Permanent Rate Application – Water and  
Sewer. Prepared short-form schedules for  
Rate Base, Income Statement, Plant, Bill  
Counts, and Rate Design.

Permanent Rate Application – Water.  
Prepared schedules and testified on Rate  
Base, Plant, Income Statement, Revenue  
Requirement, and Rate Design.

Permanent Rate Application – Sewer.  
Prepared schedules and testified on Rate  
Base, Plant, Income Statement, Revenue  
Requirement, Rate Design, and Cost of  
Capital.

Permanent Rate Application – Sewer.  
Prepared schedules and testified on Rate  
Base, Plant, Income Statement, Revenue  
Requirement, Rate Design, and Cost of  
Capital.

Permanent Rate Application – Sewer.



**COMPANY/CLIENT**

Docket SW-02361A-05-0657

Balterra Sewer Company  
Docket SW-02304A-05-0586

Community Water Company of Green  
Valley  
Docket W-02304A-05-0830

McClain Water Systems  
Northern Sunrise Water  
Southern Sunrise Water  
Docket W-020453A-06-0251

Valley Utilities Water Company  
Docket W-01412A-04-0376

Valley Utilities Water Company  
Docket W-01412A-04-0376

Beardsley Water Company  
Docket W-02074A-04-0358

Chaparral City Water Company  
Docket W-02113A-07-0551

Pine Water Company, Inc.  
Docket W-03512A-03-0279

**FUNCTION**

Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Off-site facilities hook-up fee application. Prepare schedules to support application.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.

Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.

**COMPANY/CLIENT**

**FUNCTION**

Chaparral City Water Company  
Docket W-02113A-04-0616

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.

Tierra Linda Home Owners Association  
Docket W-0423A-04-0075

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Diamond Ventures - Red Rock Utilities  
Docket WS-04245A-04-0184

Certificate of Convenience and Necessity – Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Arizona-American Water Company, Inc.  
Docket WS-01303A-02-0867  
Docket WS-01303A-02-0868  
Docket WS-01303A-02-0869  
Docket WS-01303A-02-0870  
Docket WS-01303A-02-0908

Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Bella Vista Water Company, Inc.  
Docket W-02465A-01-0776

Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Green Valley Water Company  
Docket (2000 Not Filed)

Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Gold Canyon Sewer Company  
Docket SW-02519A-00-0638

Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate

**COMPANY/CLIENT****FUNCTION**

Design.

Rio Verde Utilities, Inc.  
Docket WS-02156A-00-0321

Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Livco Water Company  
Livco Sewer Company  
Docket SW-02563A-05-0820

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Livco Water Company  
Docket SW-02563A-07-0506

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Cave Creek Sewer Company

Revenue Requirement, Rate Adjustment and Rate Design - Sewer.

Avra Water Cooperative  
Docket W-02126A-00-0269

Permanent Rate Application – Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Town of Oro Valley

Revenue Requirements, Water Rate Adjustments and Rate Design.

Far West Water Company  
Docket WS-03478A-99-0144

Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.

MHC Operating Limited Partnership  
Sedona Venture Wastewater  
Docket W-

Permanent Rate Application – Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Vail Water Company  
Docket W-01651B-99-0406

Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

**COMPANY/CLIENT**

E&T Water Company  
Docket W-01409A-95-0440

New River Utility  
Docket W-01737A-99-0633

Golden Shores Water  
Docket W-01815A-98-0645

Ponderosa Utility Company  
Docket W-01717A-99-0572

Chaparral City Water Company  
Docket (1999 Not Filed)

**FUNCTION**

Permanent Rate Application - Water.  
Assisted in preparation of schedules for  
Rate Base, Plant, Income Statement, and  
Rate Design.

Permanent Rate Application - Water.  
Assisted in preparation of schedules for  
Rate Base, Plant, Income Statement, and  
Rate Design.

Permanent Rate Application - Water.  
Assisted in preparation of schedules for  
Rate Base, Plant, Income Statement, and  
Rate Design.

Permanent Rate Application - Water.  
Assisted in preparation of schedules for  
Rate Base, Plant, Income Statement, and  
Rate Design.

Permanent Rate Application - Water.  
Prepared schedules and testimony on Rate  
Base, Plant, Revenue Requirement, and  
Income Statement. Assisted in preparation  
of Cost of Capital and Rate Design.

**Farmers Water Co.**  
Test Year Ended September 30, 2007  
Computation of Increase in Gross Revenue  
Requirements As Adjusted

Exhibit  
Schedule A-1  
Page 1  
Witness: Bourassa

Line No.					
1	Fair Value Rate Base		\$	(691,697)	
2					
3	Adjusted Operating Income			(68,860)	
4					
5	Current Rate of Return			NM	
6					
7	Required Operating Income		\$	76,335	
8					
9	Required Operating Margin			10%	
10					
11	Required Rate of Return on Fair Value Rate Base			N/A	
12					
13	Operating Income Deficiency		\$	145,196	
14					
15	Gross Revenue Conversion Factor			1.3779	
16					
17	Increase in Gross Revenue Requirement		\$	200,072	
18					
19	Percent Increase			35.52%	
20					
20	<b>Customer</b>	<b>Present</b>	<b>Proposed</b>	<b>Dollar</b>	<b>Percent</b>
21	<b>Classification</b>	<b>Rates</b>	<b>Rates</b>	<b>Increase</b>	<b>Increase</b>
22	5/8 Inch Residential	\$ 319,061	\$ 415,615	\$ 96,554	30.26%
23	1 Inch Residential	59,415	79,738	20,323	34.21%
24	5/8 Inch Commerical	4,626	6,606	1,981	42.82%
25	1 Inch Commerical	4,046	5,656	1,609	39.77%
26	1.5 Inch Commerical	4,162	5,975	1,813	43.57%
27	2 inch Commerical	19,492	28,161	8,669	44.48%
28	3 Inch Commerical	2,511	4,003	1,492	59.42%
29	1.5 Inch Multi-family	6,572	9,468	2,896	44.06%
30	2 Inch Multi-family	53,791	78,425	24,634	45.80%
31	6 Inch Multi-family	14,214	21,897	7,682	54.05%
32	5/8 Inch Industrial	801	1,113	313	39.02%
33	1 Inch Industrial	4,142	6,157	2,015	48.66%
34	4 Inch Industrial	26,243	39,776	13,533	51.57%
35	2 Inch Standpipe	10,271	20,040	9,769	95.11%
36	6 Inch Standpipe	1,867	5,386	3,520	188.59%
37	<b>Subtotal</b>	<b>\$ 531,212</b>	<b>\$ 728,016</b>	<b>\$ 196,804</b>	<b>37.05%</b>
38	<b>Revenue Annualization</b>	<b>19,125</b>	<b>23,260</b>	<b>4,135</b>	<b>21.62%</b>
39	Miscellaneous Service Revenues	7,790	7,790	-	0.00%
40	Revenue Annualization Misc. Revenues	4,295	4,295	-	0.00%
41	Reconciling Difference (C-1 and H-1)	861	(6)	(867)	-100.70%
42	<b>Total of Water Revenues</b>	<b>\$ 563,283</b>	<b>\$ 763,355</b>	<b>\$ 200,072</b>	<b>35.52%</b>
43					
44	<b><u>SUPPORTING SCHEDULES:</u></b>				
45	B-1				
46	C-1				
47	C-3				
48	H-1				
49					
50	NM = Not meaningful, rate base negative.				

Farmers Water Co.  
Test Year Ended September 30, 2007  
Summary of Results of Operations

Exhibit  
Schedule A-2  
Page 1  
Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		9/30/2005	9/30/2006	Actual 9/30/2007	Adjusted 9/30/2007	Present Rates 9/30/2008	Proposed Rates 9/30/2008
1	Gross Revenues	\$ 455,089	\$ 466,204	\$ 539,863	\$ 563,283	\$ 563,283	\$ 763,355
2							
3	Revenue Deductions and	519,586	659,497	670,344	632,143	632,143	687,019
4	Operating Expenses						
5							
6	Operating Income	\$ (64,497)	\$ (193,293)	\$ (130,481)	\$ (68,860)	\$ (68,860)	\$ 76,335
7							
8	Other Income and	-	922	5,453	-	-	-
9	Deductions						
10							
11	Interest Expense	-	-	-	-	-	-
12							
13	Net Income	\$ (64,497)	\$ (192,371)	\$ (125,028)	\$ (68,860)	\$ (68,860)	\$ 76,335
14							
15	Earned Per Average						
16	Common Share	(2,579.88)	(7,694.84)	(5,001.12)	(2,754.42)	(2,754.42)	3,053.42
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	-1.27%	-3.03%	-1.84%	-0.93%	-0.93%	1.03%
25							
26	Return on Year End						
27	Capital	-1.10%	-2.81%	-1.85%	-0.93%	-0.94%	1.04%
28							
29	Return on Average						
30	Common Equity	NM	NM	NM	-35.02%	-30.45%	39.08%
31							
32	Return on Year End						
33	Common Equity	NM	NM	NM	-26.42%	-35.91%	58.67%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	-	-	-	-	-	-
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	-	-	-	-	-	-
41							
42	NM= Not Meaningful - equity is negative						
43							
44	<u>SUPPORTING SCHEDULES</u>						
45	C-1						
46	E-2						
47	F-1						

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Construction Expenditures**  
**and Gross Utility Plant in Service**

**Exhibit**  
**Schedule A-4**  
**Page 1**  
**Witness: Bourassa**

<u>Line</u> <u>No.</u>		<u>Construction</u> <u>Expenditures</u>	<u>Net Plant</u> <u>Placed</u> <u>in</u> <u>Service</u>	<u>Gross</u> <u>Utility</u> <u>Plant</u> <u>in Service</u>
1				
4	Adjusted Prior Year Ended 12/31/2005	1,759,903	1,731,121	7,292,140
5				
6	Adjusted Prior Year Ended 12/31/2006	1,252,691	1,259,601	8,551,741
7				
8	Adjusted Test Year Ended 12/31/2007	88,223	79,235	8,630,976
9				
10	Projected Year Ended 12/31/2008	129,000	137,988	8,768,964
11				
12				
13				
14				
15	<u>SUPPORTING SCHEDULES:</u>			
16	B-2			
17	E-5			
18	F-3			
19				
20				

Farmers Water Co.  
Test Year Ended September 30, 2007  
Summary of Rate Base

Exhibit  
Schedule B-1  
Page 1  
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 8,630,976	\$ 8,630,976
3	Less: Accumulated Depreciation	2,039,595	2,039,595
4			
5	Net Utility Plant in Service	\$ 6,591,381	\$ 6,591,381
6			
7	<u>Less:</u>		
8	Advances in Aid of		
9	Construction	6,874,915	6,874,915
10	Contributions in Aid of		
11	Construction	519,544	519,544
12	Accumulated Amortization CIAC	(111,381)	(111,381)
13	Customer Meter Deposits	-	-
14			
15	<u>Plus:</u>		
16	Allowance for Working Capital	-	-
17			
18			
19	Total Rate Base	\$ (691,697)	\$ (691,697)
20			
21			
22			
23	<u>SUPPORTING SCHEDULES:</u>		
24	B-2		
25	B-3		
26	B-5		
27	E-1		
28			



**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Original Cost Rate Base Proforma Adjustments**

Exhibit  
Schedule B-2  
Page 1  
Witness: Bourassa

Line No.		Actual at End of <u>Test Year</u>	Proforma <u>Label</u>	Adjustments <u>Amount</u>	Adjusted at end of <u>Test Year</u>
1	Gross Utility				
2	Plant in Service	\$ 8,031,404	1a	599,572	\$ 8,630,976
3					
4	Less:				
5	Accumulated				
6	Depreciation	2,327,090	1b	(287,495)	2,039,595
7					
8					
9	Net Utility Plant				
10	in Service	\$ 5,704,314			\$ 6,591,381
11					
12	Less:				
13	Advances in Aid of				
14	Construction	6,929,348	2	(54,433)	6,874,915
15					
16	Contributions in Aid of				
17	Construction -	278,839	3a	297,653	519,544
18	Accumulated Amortization, CIAC	(54,432)	3b	(56,949)	(111,381)
19	Customer Meter Deposits	-			-
20					
21	Plus:				
22	Working capital	-			-
23					
24					
25	Total	<u>\$ (1,449,441)</u>			<u>\$ (691,697)</u>

**SUPPORTING SCHEDULES:**

B-2, pages 1-4  
E-1

**RECAP SCHEDULES:**

B-1

Farmers Water Co.  
Test Year Ended September 30, 2007  
Original Cost Rate Base Proforma Adjustments  
Adjustment 1

Line No.		
1	<u>Plant-in-Service</u>	
2		
3	Computed Balance	\$ 8,630,976
4	Balance per Company Schedule E-1	8,031,404
5	Difference	<u>\$ 599,572</u>
6		
7		
8	Increase (Decrease) to Plant-in-Service	<u>\$ 599,572</u>
9		
10		
11		
12		
13	<u>Accumulated Depreciation Adjustment</u>	
14		
15	Computed Balance	\$ 2,039,595
16	Balance per Company Schedule E-1	2,327,090
17	Difference	<u>\$ (287,495)</u>
18		
19		
20	Increase (Decrease) to Accumulated Depreciation	<u>\$ (287,495)</u>
21		
22		
23		
24	<u>SUPPORTING SCHEDULES</u>	
25	B-2, pages 2.1 to 2.10	
26		
27		
28		
29		

ZATARI'S WATER COMPANY  
Plant Additions and Retirements  
Short Form Worksheet

Exhibit  
Schedule B-2  
Page 2.1

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	Deprec. Plant At 9/30/1999	1999 Accum. Depr. (a)	2000 Plant Additions	2000 Plant Adjustments	2000 Adjusted Plant	2000 Plant Retirements	2000 Plant Balance	2000 Deprec.
301	Organization Cost	0.0000%	0.00%	6,893	-	-	-	-	-	6,893	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	13,246	2,897	-	-	-	-	13,246	303
307	Wells and Springs	2.2876%	3.33%	678,591	148,423	15,484	-	15,484	-	694,075	15,701
311	Electric Pumping Equipment	2.2876%	3.33%	215,445	47,123	-	-	-	-	215,445	4,929
320	Water Treatment Equipment	2.2876%	20.00%	-	-	-	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	3.33%	-	-	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.2876%	20.00%	9,684	2,118	-	-	-	-	9,684	222
330	Distribution Reservoirs & Standpipe	2.2876%	2.22%	-	-	-	-	-	-	-	-
330.1	Storage Tanks	2.2876%	5.00%	441,689	96,608	-	-	-	-	441,689	10,104
330.2	Pressure Tanks	2.2876%	2.00%	-	-	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.2876%	3.33%	1,545,175	337,965	380,280	(187,304)	192,956	-	1,738,131	37,554
333	Services	2.2876%	3.33%	216,079	47,261	94,634	(31,090)	63,544	-	279,623	5,670
334	Meters	2.2876%	8.33%	62,189	13,602	37,875	-	37,875	-	100,064	1,858
335	Hydrants	2.2876%	2.00%	136,291	29,810	43,350	(28,080)	15,270	-	151,561	3,292
336	Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-	-	-	-
339	Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.2876%	20.00%	10,543	2,306	5,492	-	5,492	(1,595)	14,440	304
340.1	Computers and Software	2.2876%	20.00%	13,748	3,007	-	-	-	(6,910)	6,838	314
341	Transportation Equipment	2.2876%	4.00%	-	-	-	-	-	-	-	-
342	Stores Equipment	2.2876%	5.00%	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	2.2876%	10.00%	-	-	-	-	-	-	-	-
344	Laboratory Equipment	2.2876%	5.00%	-	-	-	-	-	-	-	-
345	Power Operated Equipment	2.2876%	5.00%	-	-	-	-	-	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	10.00%	-	-	-	-	-	-	-	-
348	Other Tangible Plant	2.2876%	3.33%	-	-	-	-	-	-	-	-
Plant Held for Future Use											
TOTAL WATER PLANT											
				3,349,573	731,121	557,095	(228,474)	330,621	(8,505)	3,671,869	80,249

**PARNARA WATER COMPANY**  
**Plant Additions and Retirements**  
**Short Form Worksheet**

Exhibit  
Schedule B-2  
Page 2.2

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.0000%	0.00%	-	-	-	-	6,893	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	-	-	-	-	13,246	400
307	Wells and Springs	2.2876%	3.33%	-	-	-	-	694,075	20,936
311	Electric Pumping Equipment	2.2876%	20.00%	12,673	-	12,673	-	228,118	19,013
320	Water Treatment Equipment	2.2876%	3.33%	-	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	20.00%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.2876%	2.22%	-	-	-	-	9,684	830
330	Distribution Reservoirs & Standpipe	2.2876%	5.00%	-	-	-	-	441,689	11,689
330.1	Storage Tanks	2.2876%	2.00%	-	-	-	-	-	-
330.2	Pressure Tanks	2.2876%	3.33%	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.2876%	8.33%	258,548	-	258,548	-	1,996,679	48,048
333	Services	2.2876%	2.00%	40,293	-	40,293	-	319,916	9,042
334	Meters	2.2876%	2.00%	10,080	-	10,080	-	110,144	4,822
335	Hydrants	2.2876%	6.67%	23,319	-	23,319	-	174,880	4,200
336	Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-	-
338	Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.2876%	20.00%	-	-	-	-	-	-
340.1	Computers and Software	2.2876%	20.00%	5,500	-	5,500	-	14,440	1,238
341	Transportation Equipment	2.2876%	4.00%	-	-	-	-	12,338	822
342	Stores Equipment	2.2876%	5.00%	-	-	-	-	-	-
343	Tools and Work Equipment	2.2876%	10.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.2876%	5.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.2876%	10.00%	-	-	-	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	3.33%	-	-	-	-	-	-
348	Other Tangible Plant	2.2876%	-	-	-	-	-	-	-
Plant Held for Future Use				-	-	-	-	-	-
TOTAL WATER PLANT				360,413	-	350,413	-	4,022,102	121,139

Account No.	Description	Deprec. Rate		2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Plant Balance	2002 Deprec.
		Before Jun-01	After Jun-01						
301	Organization Cost	0.0000%	0.00%	-	-	-	-	6,893	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	-	-	-	-	13,248	441
307	Wells and Springs	2.2876%	3.33%	-	-	-	-	694,075	23,113
311	Electric Pumping Equipment	2.2876%	3.33%	-	-	-	-	228,118	45,624
320	Water Treatment Equipment	2.2876%	20.00%	-	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.2876%	20.00%	1,060	-	1,060	-	10,744	2,043
330	Distribution Reservoirs & Standpipe	2.2876%	-	-	-	-	-	-	-
330.1	Storage Tanks	2.2876%	2.22%	26,289	-	26,289	-	467,978	10,097
330.2	Pressure Tanks	2.2876%	5.00%	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.2876%	2.00%	510,538	-	510,538	-	2,507,217	45,039
333	Services	2.2876%	3.33%	19,466	-	19,466	-	339,382	10,977
334	Meters	2.2876%	8.33%	11,120	-	11,120	-	121,264	9,638
335	Hydrants	2.2876%	2.00%	15,400	-	15,400	-	190,280	3,652
336	Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-	-
339	Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.2876%	20.00%	-	-	-	-	14,440	2,888
340.1	Computers and Software	2.2876%	20.00%	-	-	-	-	12,338	2,468
341	Transportation Equipment	2.2876%	20.00%	-	-	-	-	-	-
342	Stores Equipment	2.2876%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	2.2876%	5.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.2876%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.2876%	5.00%	-	-	-	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	2.2876%	3.33%	-	-	-	-	-	-
Plant Held for Future Use		-	-	-	-	-	-	-	-
TOTAL WATER PLANT		-	-	583,873	-	583,873	-	4,805,975	155,979

**Zamora Water Company**  
**Plant Additions and Retirements**  
**Short Form Worksheet**

Exhibit  
Schedule B-2  
Page 2.4

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant	2003 Plant Retirements	2003 Plant Balance	2003 Deprec.
301	Organization Cost	0.0000%	0.00%	-	-	-	-	6,883	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	-	-	-	-	13,246	441
307	Wells and Springs	2.2876%	3.33%	-	-	-	-	694,075	23,113
311	Electric Pumping Equipment	2.2876%	3.33%	-	-	-	-	228,118	45,624
320	Water Treatment Equipment	2.2876%	20.00%	-	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.2876%	20.00%	-	-	-	-	10,744	2,149
330	Distribution Reservoirs & Standpipe	2.2876%	2.22%	-	-	-	-	-	-
330.1	Storage Tanks	2.2876%	2.22%	-	-	-	-	487,978	10,389
330.2	Pressure Tanks	2.2876%	5.00%	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.2876%	2.00%	293,359	-	293,359	-	2,800,576	53,078
333	Services	2.2876%	3.33%	33,180	-	33,180	-	372,562	11,854
334	Meters	2.2876%	8.33%	-	-	-	-	121,264	10,101
335	Hydrants	2.2876%	2.00%	-	-	-	-	190,280	3,805
336	Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-	-
339	Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.2876%	6.67%	-	-	-	-	-	-
340.1	Computers and Software	2.2876%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	2.2876%	20.00%	-	-	-	-	14,440	2,888
342	Stores Equipment	2.2876%	20.00%	-	-	-	-	12,338	2,468
343	Tools and Work Equipment	2.2876%	4.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.2876%	5.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.2876%	10.00%	-	-	-	-	-	-
346	Communications Equipment	2.2876%	5.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	2.2876%	3.33%	-	-	-	-	-	-
Plant Held for Future Use				-	-	-	-	-	-
TOTAL WATER PLANT				326,539	-	326,539	-	4,932,514	165,910

**Zamara Water Company**  
**Plant Additions and Retirements**  
**Short Form Worksheet**

Exhibit  
Schedule B-2  
Page 2.5

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant	2004 Plant Retirements	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.0000%	0.00%	-	-	-	-	6,893	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	-	-	-	-	13,246	441
307	Wells and Springs	2.2876%	3.33%	-	-	-	-	694,075	23,113
311	Electric Pumping Equipment	2.2876%	20.00%	-	-	-	-	228,118	45,824
320	Water Treatment Equipment	2.2876%	3.33%	-	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	20.00%	-	-	-	-	10,744	2,149
320.2	Chemical Solution Feeders	2.2876%	2.22%	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.2876%	5.00%	-	-	-	-	487,978	10,389
330.1	Storage Tanks	2.2876%	2.00%	568,892	-	568,892	-	3,369,267	61,698
330.2	Pressure Tanks	2.2876%	3.33%	33,400	-	33,400	-	405,982	12,982
331	Transmission and Distribution Mains	2.2876%	6.33%	14,040	-	14,040	-	135,304	10,686
333	Services	2.2876%	2.00%	-	-	-	-	180,280	3,806
334	Meters	2.2876%	6.87%	-	-	-	-	-	-
335	Hydants	2.2876%	6.87%	-	-	-	-	-	-
336	Backflow Prevention Devices	2.2876%	6.87%	-	-	-	-	-	-
339	Plant Structures and Improvements	2.2876%	20.00%	12,374	-	12,374	-	28,814	4,125
340	Office Furniture and Fixtures	2.2876%	20.00%	-	-	-	-	12,338	2,468
340.1	Computers and Software	2.2876%	4.00%	-	-	-	-	-	-
341	Transportation Equipment	2.2876%	5.00%	-	-	-	-	-	-
342	Stores Equipment	2.2876%	10.00%	-	-	-	-	-	-
343	Tools and Work Equipment	2.2876%	10.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.2876%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.2876%	10.00%	-	-	-	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	3.33%	-	-	-	-	-	-
348	Other Tangible Plant	2.2876%	3.33%	-	-	-	-	-	-
Plant Held for Future Use				-	-	-	-	-	-
TOTAL WATER PLANT				628,506	-	628,506	-	5,561,019	177,461

**Zamora Water Company**  
**Plant Additions and Retirements**  
**Short Form Worksheet**

Exhibit  
Schedule B-2  
Page 2.6

Account	No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Plant Balance	2005 Deprec.
301		Organization Cost	0.0000%	0.00%	-	-	-	-	6,893	-
302		Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-
303		Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-
304		Structures and Improvements	2.2876%	3.33%	-	-	-	-	13,246	441
307		Wells and Springs	2.2876%	3.33%	-	-	-	-	694,075	23,113
311		Electric Pumping Equipment	2.2876%	3.33%	-	-	-	-	251,348	43,413
320		Water Treatment Equipment	2.2876%	20.00%	23,230	-	23,230	-	-	-
320.1		Water Treatment Plants	2.2876%	3.33%	-	-	-	-	-	-
320.2		Chemical Solution Feeders	2.2876%	20.00%	-	-	-	(282)	10,482	972
330		Distribution Reservoirs & Standpipe	2.2876%	2.22%	-	-	-	-	-	-
330.1		Storage Tanks	2.2876%	5.00%	-	-	-	-	467,978	10,389
330.2		Pressure Tanks	2.2876%	2.00%	-	-	-	-	-	-
331		Transmission and Distribution Mains	2.2876%	2.00%	1,409,705	-	1,409,705	(13,347)	4,765,625	81,349
333		Services	2.2876%	3.33%	242,813	-	242,813	-	648,775	17,561
334		Meters	2.2876%	8.33%	12,800	-	12,800	-	148,104	11,804
335		Hydrants	2.2876%	2.00%	-	-	-	-	130,280	3,806
336		Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-	-
339		Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-	-
340		Office Furniture and Fixtures	2.2876%	20.00%	26,300	-	26,300	-	53,114	7,993
340.1		Computers and Software	2.2876%	20.00%	35,382	-	35,382	(5,500)	42,220	5,458
341		Transportation Equipment	2.2876%	4.00%	-	-	-	-	-	-
342		Stores Equipment	2.2876%	5.00%	-	-	-	-	-	-
343		Tools and Work Equipment	2.2876%	5.00%	-	-	-	-	-	-
344		Laboratory Equipment	2.2876%	10.00%	-	-	-	-	-	-
345		Power Operated Equipment	2.2876%	5.00%	-	-	-	-	-	-
346		Communications Equipment	2.2876%	10.00%	-	-	-	-	-	-
347		Miscellaneous Equipment	2.2876%	10.00%	-	-	-	-	-	-
348		Other Tangible Plant	2.2876%	3.33%	-	-	-	-	-	-
Plant Held for Future Use										-
TOTAL WATER PLANT										206,286

Plant Held for Future Use  
TOTAL WATER PLANT



**Zamora Water Company**  
**Plant Additions and Retirements**  
**Short Form Worksheet**

Exhibit  
Schedule B-2  
Page 2.7

Account	Description	No.	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2006 Plant Additions	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Plant Balance	2006 Deprec.
301	Organization Cost		0.0000%	0.00%	-	-	-	6,893	-
302	Franchise Cost		0.0000%	0.00%	-	-	-	-	-
303	Land and Land Rights		0.0000%	0.00%	-	-	-	-	-
304	Structures and Improvements		2.2876%	3.33%	1,319	1,319	-	14,565	463
307	Wells and Springs		2.2876%	3.33%	-	-	-	694,075	23,113
311	Electric Pumping Equipment		2.2876%	20.00%	-	-	-	251,348	-
320	Water Treatment Equipment		2.2876%	20.00%	-	-	-	-	-
320.1	Water Treatment Plants		2.2876%	3.33%	-	-	-	-	-
320.2	Chemical Solution Feeders		2.2876%	20.00%	-	-	-	10,432	262
330	Distribution Reservoirs & Standpipe		2.2876%	2.22%	-	-	-	-	-
330.1	Storage Tanks		2.2876%	2.22%	-	-	-	467,978	10,389
330.2	Pressure Tanks		2.2876%	5.00%	-	-	-	-	-
331	Transmission and Distribution Mains		2.2876%	2.00%	1,056,132	1,056,132	-	5,821,757	105,874
333	Services		2.2876%	3.33%	157,791	157,791	-	806,566	24,231
334	Meters		2.2876%	8.33%	-	-	-	148,104	12,337
335	Hydrants		2.2876%	2.00%	42,985	42,985	-	233,285	4,235
336	Backflow Prevention Devices		2.2876%	6.67%	-	-	-	-	-
339	Plant Structures and Improvements		2.2876%	6.67%	-	-	-	-	-
340	Office Furniture and Fixtures		2.2876%	6.67%	-	-	-	-	-
340.1	Computers and Software		2.2876%	20.00%	1,374	1,374	-	54,488	10,760
341	Transportation Equipment		2.2876%	20.00%	-	-	-	42,220	8,444
342	Stores Equipment		2.2876%	4.00%	-	-	-	-	-
343	Tools and Work Equipment		2.2876%	5.00%	-	-	-	-	-
344	Laboratory Equipment		2.2876%	10.00%	-	-	-	-	-
345	Power Operated Equipment		2.2876%	5.00%	-	-	-	-	-
346	Communications Equipment		2.2876%	10.00%	-	-	-	-	-
347	Miscellaneous Equipment		2.2876%	10.00%	-	-	-	-	-
348	Other Tangible Plant		2.2876%	3.33%	-	-	-	-	-
Plant Held for Future Use									-
TOTAL WATER PLANT									200,109
					1,259,601	1,259,601	8,551,741		

**Parmera Water Company**  
**Plant Additions and Retirements**  
**Short Form Worksheet**

Exhibit  
Schedule B-2  
Page 2.8

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2007 Plant Additions	2007 Plant Adjustments	2007 Adjusted Plant	2007 Plant Retirements	2007 Salvage (A/D Only)	2007 Plant Balance	2007 Deprec.
301	Organization Cost	0.0000%	0.00%	-	-	-	-	-	6,893	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	-	-	-	-	-	14,565	485
307	Wells and Springs	2.2876%	3.33%	-	-	-	-	-	694,075	23,113
311	Electric Pumping Equipment	2.2876%	3.33%	18,557	-	18,557	-	-	289,905	18,557
320	Water Treatment Equipment	2.2876%	20.00%	-	-	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	3.33%	-	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.2876%	20.00%	-	-	-	-	-	10,482	-
330	Distribution Reservoirs & Standpipe	2.2876%	-	-	-	-	-	-	-	-
330.1	Storage Tanks	2.2876%	2.22%	-	-	-	-	-	487,978	10,389
330.2	Pressure Tanks	2.2876%	5.00%	-	-	-	-	-	-	-
331	Transmission and Distribution Mains	2.2876%	2.00%	-	-	-	-	-	5,821,757	118,435
333	Services	2.2876%	3.33%	-	-	-	-	-	808,568	26,859
334	Meters	2.2876%	8.33%	50,838	-	50,838	-	-	198,942	14,454
335	Hydrants	2.2876%	2.00%	-	-	-	-	-	233,265	4,665
336	Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-	-	-
339	Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.2876%	6.67%	-	-	-	-	-	-	-
340.1	Computers and Software	2.2876%	20.00%	-	-	-	-	-	-	-
341	Transportation Equipment	2.2876%	20.00%	16,677	-	16,677	(8,837)	500	54,488	10,898
342	Stores Equipment	2.2876%	4.00%	-	-	-	-	-	52,060	9,428
343	Tools and Work Equipment	2.2876%	5.00%	-	-	-	-	-	-	-
344	Laboratory Equipment	2.2876%	10.00%	-	-	-	-	-	-	-
345	Power Operated Equipment	2.2876%	5.00%	-	-	-	-	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	10.00%	-	-	-	-	-	-	-
348	Other Tangible Plant	2.2876%	3.33%	-	-	-	-	-	-	-
Plant Held for Future Use				-	-	-	-	-	-	-
TOTAL WATER PLANT				85,072	-	86,072	(8,837)	500	8,630,976	235,283

Farmer Water Company  
Plant Additions and Refinements  
Short Form Worksheet

Exhibit  
Schedule B-2  
Page 2.9

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	Year End Accumulated Depreciation by Account				
				1999				
				2000	2001	2002	2003	2004
301	Organization Cost	0.0000%	0.00%	-	-	-	-	-
302	Franchise Cost	0.0000%	0.00%	-	-	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-	-	-
304	Structures and Improvements	2.2876%	3.33%	2,897	3,600	4,041	4,482	4,923
307	Wells and Springs	2.2876%	3.33%	184,423	185,080	208,172	231,285	254,388
311	Electric Pumping Equipment	2.2876%	20.00%	47,123	71,065	116,688	162,312	207,935
320	Water Treatment Equipment	2.2876%	3.33%	-	-	-	-	-
320.1	Water Treatment Plants	2.2876%	20.00%	2,118	3,170	5,213	7,361	9,510
320.2	Chemical Solution Feeders	2.2876%	2.22%	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.2876%	5.00%	96,608	118,400	128,497	138,887	149,276
330.1	Storage Tanks	2.2876%	2.00%	337,985	423,568	468,607	521,685	583,383
331	Transmission and Distribution Mains	2.2876%	3.33%	47,261	61,973	72,951	84,805	97,767
333	Services	2.2876%	2.00%	13,802	20,380	30,018	40,119	50,806
334	Meters	2.2876%	2.00%	29,810	37,302	40,954	44,759	48,565
335	Hydrants	2.2876%	6.67%	-	-	-	-	-
338	Backflow Prevention Devices	2.2876%	6.67%	-	-	-	-	-
339	Plant Structures and Improvements	2.2876%	6.67%	-	-	-	-	-
340	Office Furniture and Fixtures	2.2876%	20.00%	2,306	2,253	5,141	8,029	12,154
340.1	Computers and Software	2.2876%	20.00%	3,007	(2,767)	(298)	2,169	4,636
341	Transportation Equipment	2.2876%	4.00%	-	-	-	-	-
342	Stores Equipment	2.2876%	5.00%	-	-	-	-	-
343	Tools and Work Equipment	2.2876%	10.00%	-	-	-	-	-
344	Laboratory Equipment	2.2876%	10.00%	-	-	-	-	-
345	Power Operated Equipment	2.2876%	10.00%	-	-	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-	-	-
347	Miscellaneous Equipment	2.2876%	3.33%	-	-	-	-	-
348	Other Tangible Plant	2.2876%		-	-	-	-	-
Plant Held for Future Use				-	-	-	-	-
TOTAL WATER PLANT				731,121	924,004	1,079,983	1,245,893	1,423,353

**FARMERS WATER COMPANY**  
Plant Additions and Retirements  
Short Form Worksheet

Account No.	Description	Deprec. Rate Before Jun-01	Deprec. Rate After Jun-01	2005	2006	2007
301	Organization Cost	0.0000%	0.00%	-	-	-
302	Franchise Cost	0.0000%	0.00%	-	-	-
303	Land and Land Rights	0.0000%	0.00%	-	-	-
304	Structures and Improvements	2.2876%	3.33%	5,364	5,827	6,312
307	Wells and Springs	2.2876%	3.33%	277,510	300,623	323,738
311	Electric Pumping Equipment	2.2876%	20.00%	251,348	251,348	269,905
320	Water Treatment Equipment	2.2876%	3.33%	-	-	-
320.1	Water Treatment Plants	2.2876%	20.00%	10,220	10,482	10,482
320.2	Chemical Solution Feeders	2.2876%	-	-	-	-
330	Distribution Reservoirs & Standpipe	2.2876%	-	-	-	-
330.1	Storage Tanks	2.2876%	2.22%	159,685	170,054	180,443
330.2	Pressure Tanks	2.2876%	5.00%	-	-	-
331	Transmission and Distribution Mains	2.2876%	2.00%	651,385	757,259	873,694
333	Services	2.2876%	3.33%	115,328	139,660	166,418
334	Meters	2.2876%	8.33%	82,608	74,947	89,401
335	Hydrants	2.2876%	2.00%	52,370	56,506	61,271
336	Backflow Prevention Devices	2.2876%	6.67%	-	-	-
339	Plant Structures and Improvements	2.2876%	6.67%	-	-	-
340	Office Furniture and Fixtures	2.2876%	6.67%	-	-	-
340.1	Computers and Software	2.2876%	20.00%	20,147	30,907	41,805
341	Transportation Equipment	2.2876%	20.00%	4,592	13,036	16,127
342	Stores Equipment	2.2876%	4.00%	-	-	-
343	Tools and Work Equipment	2.2876%	5.00%	-	-	-
344	Laboratory Equipment	2.2876%	10.00%	-	-	-
345	Power Operated Equipment	2.2876%	5.00%	-	-	-
346	Communications Equipment	2.2876%	10.00%	-	-	-
347	Miscellaneous Equipment	2.2876%	10.00%	-	-	-
348	Other Tangible Plant	2.2876%	3.33%	-	-	-
Plant Held for Future Use				-	-	-
TOTAL WATER PLANT				1,610,540	1,810,649	2,039,595

Farmers Water Co.  
 Test Year Ended September 30, 2007  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 2

Exhibit  
 Schedule B-2  
 Page 3  
 Witness: Bourassa

Line No.		
1	<u>Advances-in-aid of Construction (AIAC)</u>	
2		
3	Computed Balance	\$ 6,874,915
4	Balance per Company Schedule E-1	6,929,348
5	Difference	<u>(54,433)</u>
6		
7		
8		
9		
10		
11	Increase (Decrease) to AIAC	<u>\$ (54,433)</u>
12		
13		
14		
15	<u>SUPPORTING SCHEDULES</u>	
16	B-2, pages 3.1 to 3.4	
17		
18		
19		
20		

[illegible]

Line No.	Description	Year Booked	Term (yrs)	Expiration	Initial Balance	FY 2002		FY 2003				
						Adds/Adj	Refunds	Transfer to CIAC	Adds/Adj	Refunds	Balance	
1												
2												
3	COLONIAL REAL	2004	10	8/1/2015	565,050							
4	CONTINENTAL SCHOOL	<=1999	10	8/1/2008	106,067							
5	DE ANZA LINKS II	2006	10	8/1/2017	63,571							
6	DE ANZA LINKS, LLC	2004	10	8/1/2014	37,042							
7	LA POSADA	<=1999	7		446,542							
8	LA POSADA 160, 161, 163	2004	10	8/1/2014	189,306							
9	LA POSADA ADMIN BLDG	2000	10	8/1/2009	13,295							
10	LA POSADA GARDEN HOMES III	2000	10	8/1/2010	19,980							
11	LA POSADA LOT 166	<=1999	10	8/1/2008	7,839							
12	LA POSADA PH 2	<=1999	10	8/1/2007	37,130							
13	MADERA FOOTHILLS ESTATES	<=1999	10	8/1/2008	152,701							
14	MADERA FOOTHILLS ESTATES 28-42, 62-6	2004	10	8/1/2014	93,056							
15	MADERA HIGHLANDS 17,18,19,23	2005	10	8/1/2015	330,640							
16	MADERA HIGHLANDS VILLAGES 11,12,14,2	2006	10	8/1/2015	1,011,103							
17	MADERA HIGHLANDS VILLAGES 16	2006	10	8/1/2015	157,701							
18	MADERA RESERVE VILLAGE 1 & 2	<=1999	15	8/1/2012	225,442							
19	MADERA RESERVE VILLAGE 3	<=1999	15	8/1/2012	35,973							
20	MADERA RESERVE VILLAGE 4	1999	20	8/1/2008	44,657							
21	MADERA RESERVE VILLAGE 7	2000	10	8/1/2009	156,944							
22	MADERA RESERVE VILLAGE 8-10	2000	10	8/1/2010	165,560							
23	MADERA RESERVE VILLAGES 5 & 6	<=1999	15	8/1/2009	81,298							
24	PAR FOR THE COURSE 1	<=1999	15	8/1/2011	15,268							
25	PASADENA	2001	10	8/1/2011	311,573							
26	ROADHAVEN - THE SPRINGS	2002	15	8/1/2011	159,677							
27	SAHUARITA HIGHLANDS 1-153	2005	10	8/1/2017	1,321,878							
28	SANTA RITA SPRINGS, LOTS 1-5	2005	10	8/1/2012	44,525							
29	SILVER SPRINGS	2000	10	8/1/2010	75,886							
30	SUNRISE POINT	<=1999	15	8/1/2010	251,592							
31	SUNRISE POINT VISTAS	<=1999	15	8/1/2012	166,139							
32	THE FAIRWAYS	2000	10	8/1/2011	77,015							
33	THE GREENS (lots 1-55,...)	<=1999	15	8/1/2011	98,596							
34	THE GREENS II	<=1999	15	8/1/2011	40,078							
35	THE GREENS II 168-202, 215-234	2000	10	8/1/2010	66,475							
36	THE LEGENDS 1-32, 72-99	2000	10	8/1/2011	86,475							
37	THE LEGENDS 33-77	2003	10	8/1/2012	93,508							
38	THE LEGENDS 78-128	2003	10	8/1/2013	124,915							
39	THE LINKS	<=1999	10	8/1/2008	125,644							
40	THE PRESIDIO 4-65	<=1999	10	8/1/2009	140,336							
41	THE SPRINGS (AT SANTA RITA)	<=1999	15	8/1/2012	199,114							
42	THE SPRINGS II Lots 53-108	<=1999	15	8/1/2009	70,311							
43	THE SPRINGS II PHASE 2	<=1999	15	8/1/2015	39,924							
44	UNITED COMMUNITY HEALTH CENTER	2000	10	8/1/2014	15,060							
45	METER INSTALLATIONS											
46												
47												
48	TOTALS				7,485,142	61,260	(412,240)	0	2,780,203	274,913	(29,713)	3,025,403

Farmers Water Company  
Refundable Advances in Aid of Construction (AIAC)

Exhibit  
Schedule B-2  
Page 3.3

Line No.	Description	Year Booked	Term (yrs)	Expiration	Initial Balance	FY 2004			FY 2005		
						Adds/Adj	Refunds	Balance	Adds/Adj	Refunds	Balance
1											
2	COLONIAL REAL	2004	10	8/1/2015	565,050			565,050			565,050
3	CONTINENTAL SCHOOL	<=1999	10	8/1/2008	106,067		(40)	105,741		(209)	105,532
4	DE ANZA LINKS II	2006	10	8/1/2017	63,571						
5	DE ANZA LINKS, LLC	2004	10	8/1/2014	37,042						
6	LA POSADA	<=1999	10	8/1/2014	446,542			37,042		(76)	36,966
7	LA POSADA 180, 161, 163	2004	10	8/1/2014	189,306			189,306		(816)	188,490
8	LA POSADA ADMIN BLDG	2000	10	8/1/2009	13,295		(66)	13,002		(79)	12,922
9	LA POSADA GARDEN HOMES III	2000	10	8/1/2010	19,680		(487)	17,837		(552)	17,285
10	LA POSADA LOT 166	<=1999	10	8/1/2008	7,839		(44)	7,639		(47)	7,592
11	LA POSADA PH 2	<=1998	10	8/1/2007	37,130		(1,430)	29,990		(1,773)	28,217
12	MADERA FOOTHILLS ESTATES	<=1999	10	8/1/2008	152,701		(616)	150,758		(509)	150,248
13	MADERA FOOTHILLS ESTATES 28-42, 62-6	2004	10	8/1/2014	330,640					(127)	92,929
14	MADERA HIGHLANDS 17,18,19,23	2005	10	8/1/2015	1,011,103						
15	MADERA HIGHLANDS VILLAGES 11,12,14,2	2006	10	8/1/2015	157,701						
16	MADERA HIGHLANDS VILLAGES 16	2006	10	8/1/2015	225,442						
17	MADERA HIGHLANDS VILLAGES 1 & 2	<=1998	15	8/1/2012	35,973		(2,027)	205,071		(1,946)	203,125
18	MADERA RESERVE VILLAGE 3	<=1999	15	8/1/2012	44,657		(306)	34,632		(315)	34,317
19	MADERA RESERVE VILLAGE 4	1999	10	8/1/2008	44,657		(482)	42,412		(518)	41,895
20	MADERA RESERVE VILLAGE 7	2000	10	8/1/2009	156,944		(630)	155,104		(700)	154,405
21	MADERA RESERVE VILLAGE 8-10	2000	10	8/1/2010	185,560		(982)	183,556		(1,197)	182,358
22	MADERA RESERVE VILLAGES 5 & 6	<=1999	10	8/1/2009	81,298		(678)	78,887		(600)	78,287
23	PAR FOR THE COURSE 1	<=1999	15	8/1/2011	15,286		(175)	14,057		(162)	13,895
24	PASADERA	2001	10	8/1/2011	311,573		(413)	310,167		(529)	309,639
25	ROADHAVEN - THE SPRINGS	2002	15	8/1/2011	159,677		(5,880)	148,285		(5,547)	142,737
26	SAHUARITA HIGHLANDS 1-153	2005	10	8/1/2011	1,321,878						
27	SANTA RITA SPRINGS, LOTS 1-5	2005	10	8/1/2012	44,525						
28	SILVER SPRINGS	2000	10	8/1/2010	75,898						
29	SUNRISE POINT	<=1999	15	8/1/2010	251,582						
30	SUNRISE POINT VISTAS	<=1998	15	8/1/2012	186,138						
31	THE FAIRWAYS	2000	10	8/1/2011	77,015						
32	THE GREENS (lots 1-65...)	<=1999	15	8/1/2011	98,556						
33	THE GREENS II	<=1999	15	8/1/2011	40,078						
34	THE GREENS II 168-202, 215-234	2000	10	8/1/2010	47,064						
35	THE LEGENDS 1-32, 72-99	2000	10	8/1/2011	86,475						
36	THE LEGENDS 33-77	2000	10	8/1/2011	93,508						
37	THE LEGENDS 78-128	2003	10	8/1/2012	124,915						
38	THE LINKS	<=1999	10	8/1/2013	125,644						
39	THE PRESIDIO 4-65	<=1999	10	8/1/2008	140,335						
40	THE SPRINGS (AT SANTA RITA)	<=1999	10	8/1/2009	193,114						
41	THE SPRINGS II LOTS 53-108	<=1999	15	8/1/2012	70,311						
42	THE SPRINGS II PHASE 2	2000	15	8/1/2016	38,924						
43	UNITED COMMUNITY HEALTH CENTER				13,060						
44	METER INSTALLATIONS										
45											
46											
47											
48	TOTALS				7,485,142	934,409	(37,087)	3,922,724	1,722,698	(44,258)	5,601,164



Line No.	Description	Year Booked	Term (Yrs)	Expiration	Initial Balance	FY 2006		FY 2007			
						Transfer to CIAC	Adds/Adj	Refunds	Balance	Adds/Adj	Refunds
1											
2	COLONIAL REAL	2004	10	8/1/2015	565,050	-	(52)	564,998	-	(256)	564,742
3	CONTINENTAL SCHOOL	<=1998	10	8/1/2008	106,067	-	(174)	105,368	-	(174)	105,185
4	DE ANZA LINKS II	2006	10	8/1/2017	63,571	63,571	-	63,571	-	-	63,571
5	DE ANZA LINKS, LLC	2004	10	8/1/2014	37,042	-	(228)	36,738	-	(115)	36,623
6	LA POSADA	<=1998	7	8/1/2014	446,542	-	-	446,542	-	-	-
7	LA POSADA 160, 161, 163	2004	10	8/1/2014	189,306	-	(856)	187,833	-	(923)	186,710
8	LA POSADA ADMIN BLDG	2000	10	8/1/2009	13,295	-	(72)	12,850	-	(40)	12,810
9	LA POSADA GARDEN HOMES III	2000	10	8/1/2010	19,680	-	(426)	16,859	-	(226)	16,633
10	LA POSADA LOT 166	<=1998	10	8/1/2008	7,839	-	(78)	7,515	-	(51)	7,463
11	LA POSADA PH 2	<=1998	10	8/1/2007	37,130	-	-	25,255	-	(1,676)	24,578
12	MADERA FOOTHILLS ESTATES	<=1999	10	8/1/2008	152,701	-	(648)	149,600	-	(590)	149,010
13	MADERA FOOTHILLS ESTATES 26-42, 62-6	2004	10	8/1/2014	83,058	-	(245)	92,894	-	(292)	92,392
14	MADERA HIGHLANDS 17, 18, 19, 23	2005	10	8/1/2015	330,640	-	-	330,640	-	(70)	330,570
15	MADERA HIGHLANDS VILLAGES 11, 12, 14, 1	2006	10	8/1/2015	1,011,103	1,011,103	-	1,011,103	-	(340)	1,010,763
16	MADERA HIGHLANDS VILLAGES 16	2006	10	8/1/2015	157,701	157,219	-	157,219	-	(1,577)	155,643
17	MADERA RESERVE VILLAGE 1 & 2	<=1999	15	8/1/2012	225,442	-	(2,359)	200,766	-	(1,561)	199,104
18	MADERA RESERVE VILLAGE 3	<=1999	15	8/1/2012	35,973	-	(404)	33,913	-	(312)	33,602
19	MADERA RESERVE VILLAGE 4	1999	15	8/1/2008	44,657	-	(589)	41,305	-	(424)	40,881
20	MADERA RESERVE VILLAGE 7	2000	10	8/1/2009	156,944	-	(790)	153,815	-	(478)	153,136
21	MADERA RESERVE VILLAGE 8-10	2000	10	8/1/2010	185,560	-	(1,365)	180,993	-	(993)	180,000
22	MADERA RESERVE VILLAGES 5 & 6	<=1999	10	8/1/2009	81,298	-	(685)	77,603	-	(424)	77,179
23	PAR FOR THE COURSE 1	<=1999	15	8/1/2011	15,288	-	(225)	13,670	-	(126)	13,542
24	PASADENA	2001	10	8/1/2011	311,573	-	(694)	308,944	-	(532)	308,412
25	ROADHAVEN - THE SPRINGS	2002	15	8/1/2017	1,321,878	-	(4,989)	65,667	-	(926)	64,942
26	SAHUARITA HIGHLANDS 1-153	2005	10	8/1/2012	44,525	-	(10)	44,480	-	(2)	44,488
27	SANTA RITA SPRINGS, LOTS 1-5	2005	10	8/1/2010	75,886	-	(1,167)	69,102	-	(1,167)	66,934
28	SILVER SPRINGS	2000	10	8/1/2010	251,582	-	(1,048)	231,170	-	(1,048)	230,122
29	SUNRISE POINT	<=1999	15	8/1/2012	186,138	-	(1,674)	175,730	-	(857)	174,873
30	SUNRISE POINT VISTAS	2000	10	8/1/2011	77,015	-	(784)	73,758	-	(414)	73,344
31	THE FAIRWAYS	<=1999	15	8/1/2011	98,556	-	(2,255)	79,496	-	(414)	77,373
32	THE GREENS (006 1-55....)	<=1999	15	8/1/2011	40,078	-	(1,049)	32,894	-	(1,123)	78,373
33	THE GREENS II	2000	10	8/1/2010	47,064	-	(552)	32,332	-	(552)	32,332
34	THE GREENS II 168-202, 215-234	2000	10	8/1/2011	96,475	-	(1,569)	38,252	-	(557)	37,695
35	THE LEGENDS 1-32, 72-99	2000	10	8/1/2011	96,475	-	(1,047)	81,560	-	(470)	81,191
36	THE LEGENDS 33-77	2003	10	8/1/2012	124,915	-	(702)	81,560	-	(314)	91,366
37	THE LEGENDS 78-128	2003	10	8/1/2013	124,915	-	(705)	123,673	-	(301)	123,372
38	THE LINKS	<=1999	10	8/1/2008	125,644	-	(1,781)	114,729	-	(996)	113,732
39	THE PRESIDIO 4-65	<=1999	10	8/1/2008	140,356	-	(1,053)	134,516	-	(521)	133,995
40	THE SPRINGS (AT SANTA RITA)	<=1999	15	8/1/2012	193,114	-	(926)	63,798	-	(367)	63,420
41	THE SPRINGS II Lot 53-108	<=1999	15	8/1/2009	70,311	-	(734)	37,008	-	(285)	36,723
42	THE SPRINGS II PHASE 2	<=1999	15	8/1/2015	38,924	-	(70)	14,915	-	(43)	14,872
43	UNITED COMMUNITY HEALTH CENTER	2000	10	8/1/2014	15,060	43,588	(11,769)	190,970	123,900	(6,154)	308,716
44	METER INSTALLATIONS										
45											
46	TOTALS				7,485,142	1,275,481	(51,861)	6,778,395	123,900	(27,380)	6,874,915

Farmers Water Co.  
Test Year Ended September 30, 2007  
Original Cost Rate Base Proforma Adjustments  
Adjustment 3

Exhibit  
Schedule B-2  
Page 4  
Witness: Bourassa

Line No.		Adjustment label
1	<u>Contributions-in-aid of Construction (CIAC)</u>	
2		
3	Computed Balance	\$ 576,492
4	Balance per Company Schedule E-1	278,839
5	Difference	<u>\$ 297,653</u>
6		
7		3a
8	Increase (Decrease) to CIAC	<u>\$ 297,653</u>
9		
10	<u>Accumulated Amortization CIAC</u>	
11		
12	Computed Balance	\$ 111,381
13	Balance per Company Schedule E-1	54,432
14	Difference	<u>\$ 56,949</u>
15		
16		
17	(Increase) Decrease to Accumulated Amortization CIAC	<u>\$ (56,949) 3b</u>
18		
19	<u>SUPPORTING SCHEDULES</u>	
20	B-2, pages 4.1 to 4.2	
21		
22		
23		
24		

Farmers Water Company  
Contributions-in-aid of Construction (CIAC)

Exhibit  
Schedule B-2  
Page 4.1

Line No.	Description	Per Decision Balance FY 1999 9/30/1999	FY 2000 Adds/Adj Balance (56,000)	FY 2001 Adds/Adj Balance	FY 2002 Adds/Adj Balance	FY 2003 Adds/Adj Balance
1		56,000				
2	THE SPRINGS AT SANTA RITA	30,972	30,972	30,972	30,972	30,972
3	WELL NP2 - SERVICE TO 40+/- ACRES	10,640	10,640	10,640	10,640	10,640
4	METERS TO 9/30/96	10,660	10,660	10,660	10,660	10,660
5	METERS 10/1/97 TO 8/31/97	13,140	13,140	13,140	13,140	13,140
6	METERS 9/1/97 TO 8/31/98	12,900	12,900	12,900	12,900	12,900
7	METERS 9/1/98 TO 8/31/99	16,780	16,780	16,780	16,780	16,780
8	METERS 9/1/99 TO 8/31/00		8,440	8,440	8,440	8,440
9	METERS 9/1/00 TO 8/31/01			2,400	2,400	2,400
10	METERS 9/1/01 TO 9/30/02					
11	METERS 10/1/02-9/30/03			412,240	412,240	412,240
12	ROADHAVEN II - THE SPRINGS AT SANTA RITA					
13	LA POSADA					
14						
15						
16						
17						
18						
19						
20	TOTALS	134,312	(39,220)	95,092	8,440	103,532
21					414,840	518,172
22						6,440
23		134,312				
24	Difference		95,092	103,532	518,172	524,612
25						
26						
27	Amortization Rate Prior to Decision 63749 (June 200)		2.288%			
28	Amortization Rate (Composite Depr Rate)		3.012%			
29	Amortization (1/2 yr convention)	18,060	2,524	2,452	3,386%	3,364%
30	Accumulated Amortization		20,684	23,136	10,527	17,537
31					33,662	51,200

Farmers Water Company  
Contributions-in-aid of Construction (CIAC)

Exhibit  
Schedule B-2  
Page 4.2

Line No.	Description	FY 2004		FY 2005		FY 2006		FY 2007	
		Adds/Adj	Balance	Adds/Adj	Balance	Adds/Adj	Balance	Adds/Adj	Balance
1									
2	THE SPRINGS AT SANTA RITA		30,972		30,972		30,972		30,972
3	WELL NP2 - SERVICE TO 40+/- ACRES		10,640		10,640		10,640		10,640
4	METERS TO 9/30/86		10,660		10,660		10,660		10,660
5	METERS 10/1/87 TO 8/31/97		13,140		13,140		13,140		13,140
6	METERS 9/1/97 TO 8/31/98		12,900		12,900		12,900		12,900
7	METERS 9/1/98 TO 8/31/99		16,780		16,780		16,780		16,780
8	METERS 9/1/99 TO 8/31/00		8,440		8,440		8,440		8,440
9	METERS 9/1/00 TO 8/31/01		2,400		2,400		2,400		2,400
10	METERS 9/1/01 TO 9/30/02		6,440		6,440		6,440		6,440
11	METERS 10/1/02-9/30/03		412,240		412,240	51,881	51,881		51,881
12	ROADHAVEN II - THE SPRINGS AT SANTA RITA								
13	LA POSADA								
14									
15									
16									
17									
18									
19									
20									
21	TOTALS		524,612		524,612	51,881	576,492		576,492
22									
23									
24									
25	Difference		524,612		524,612		576,492		576,492
26									
27									
28	Amortization Rate Prior to Decision 6/3749 (June 200)								
29	Amortization Rate (Composite Depr Rate)		3.191%		2.829%		2.340%		2.726%
30	Amortization (1/2 yr convention)		16,741		14,841		12,883		15,715
31	Accumulated Amortization		87,941		82,782		95,665		111,381

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Computation of Working Capital**

**Exhibit**  
**Schedule B-5**  
**Page 1**  
**Witness: Bourassa**

Line  
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	46,645
3	Pumping Power (1/24 of Pumping Power)		725
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepayments		(703)
6	Materials and Supplies		-
7			
8			
9	Total Working Capital Allowance	\$	46,667
10			
11			
12	Working Capital Requested	\$	-
13			
14			
15	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
16	E-1	B-1	
17			

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Income Statement**

Exhibit  
Schedule C-1  
Page 1  
Witness: Bourassa

Line No.		Test Year Book Results	Label	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	<b>Revenues</b>						
2	Metered Water Revenues	\$ 532,073	4a	\$ 19,125	\$ 551,198	\$ 200,072	\$ 751,270
3	Unmetered Water Revenues	-		-	-	-	-
4	Other Water Revenues	7,790	4b	4,295	12,085		12,085
5		<u>\$ 539,863</u>		<u>\$ 23,420</u>	<u>\$ 563,283</u>	<u>\$ 200,072</u>	<u>\$ 763,355</u>
6	<b>Operating Expenses</b>						
7	Salaries and Wages	\$ 193,709	6a/7a/8a	(13,201)	\$ 180,508		\$ 180,508
8	Purchased Water	-		-	-		-
9	Purchased Power	16,942	5	458	17,400		17,400
10	Chemicals	-		-	-		-
11	Repairs and Maintenance	76,477			76,477		76,477
12	Office Supplies and Expense	15,427			15,427		15,427
13	Outside Services	15,105			15,105		15,105
14	Water Testing	11,154			11,154		11,154
15	Rents	-		-	-		-
16	Transportation Expenses	2,018			2,018		2,018
17	Insurance - General Liability	3,317			3,317		3,317
18	Insurance - Worker's Comp.	-	7b	7,832	7,832		7,832
19	Insurance - Health and Life	22,691			22,691		22,691
20	Reg. Commission Exp. - Rate Case	-	3	15,000	15,000		15,000
21	Miscellaneous Expense	8,494			8,494		8,494
22	Depreciation Expense	284,911	1	(44,639)	240,272		240,272
23	Amortization of Gain on Well	-		-	-		-
24	Amortization of CAP	-		-	-		-
25	Taxes Other Than Income	-	6b/8b	15,140	15,140		15,140
26	Property Taxes	20,099	2	7,235	27,334		27,334
27	Income Tax	-	10	(26,026)	(26,026)	54,876	28,851
28	<b>Total Operating Expenses</b>	<u>\$ 670,344</u>		<u>\$ (38,201)</u>	<u>\$ 632,143</u>	<u>\$ 54,876</u>	<u>\$ 687,019</u>
29	<b>Operating Income</b>	<u>\$ (130,481)</u>		<u>\$ 61,621</u>	<u>\$ (68,860)</u>	<u>\$ 145,196</u>	<u>\$ 76,335</u>
30	<b>Other Income (Expense)</b>						
31	Interest Income	-	9a	-	-		-
32	Other income (loss)	4,953	9b	(4,953)	-		-
33	Interest Expense	-		-	-		-
34	Other Income (Expense)	500	9c	(500)	-		-
35		-		-	-		-
36	<b>Total Other Income (Expense)</b>	<u>\$ 5,453</u>		<u>\$ (5,453)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
37	<b>Net Profit (Loss)</b>	<u>\$ (125,028)</u>		<u>\$ 56,168</u>	<u>\$ (68,860)</u>	<u>\$ 145,196</u>	<u>\$ 76,335</u>

38  
39 SUPPORTING SCHEDULES:  
40 C-2  
41 E-2

RECAP SCHEDULES:  
A-1

Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustments to Revenues and Expenses

Exhibit  
Schedule C-2  
Page 1  
Witness: Bourassa

Line No.	Adjustments to Revenues and Expenses					
	1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Purchased Power	6 Reclass Payroll Taxes
Revenues				23,420		
Expenses	(44,639)	7,235	15,000		458	
Operating Income	44,639	(7,235)	(15,000)	23,420	(458)	
Interest Expense						
Other Income / Expense						
Net Income	44,639	(7,235)	(15,000)	23,420	(458)	45,365
<b>Subtotal</b>						
Line No.	Adjustments to Revenues and Expenses					
	7 Reclass Worker's Comp.	8 Wages & Salaries	9 Remove Other Inc./Oth. Exp.	10 Income Taxes	11 Intentionally Left Blank	12 Intentionally Left Blank
Revenues						
Expenses	-	9,770		(26,026)		
Operating Income	-	(9,770)	-	26,026	-	
Interest Expense						
Other Income / Expense			(5,453)			
Net Income	-	(9,770)	(5,453)	26,026	-	56,168
<b>Subtotal</b>						

**Farmers Water Co.**  
Test Year Ended September 30, 2007  
Adjustments to Revenues and Expenses  
Adjustment Number 1

Exhibit  
Schedule C-2  
Page 2  
Witness: Bourassa

Line  
No.

1	<u>Depreciation Expense</u>			
2				
3	<b>Account</b>		<b>Proposed</b>	<b>Depreciation</b>
4	<b>No.</b>	<b>Description</b>	<b>Original Cost</b>	<b>Rate</b>
5	301	Organization Cost	6,893	0.00%
6	302	Franchise Cost	-	0.00%
7	303	Land and Land Rights	-	0.00%
8	304	Structures and Improvements	14,565	3.33%
9	307	Wells and Springs	694,075	3.33%
10	311	Electric Pumping Equipment	269,905	12.50%
11	320	Water Treatment Equipment	-	-
12	320.1	Water Treatment Plants	-	3.33%
13	320.2	Chemical Solution Feeders	10,482	20.00%
14	330	Distribution Reservoirs & Standpipe	-	-
15	330.1	Storage Tanks	467,978	2.22%
16	330.2	Pressure Tanks	-	5.00%
17	331	Transmission and Distribution Mains	5,821,757	2.00%
18	333	Services	806,566	3.33%
19	334	Meters	198,942	8.33%
20	335	Hydrants	233,265	2.00%
21	336	BackFlow Prevention Devices	-	6.67%
22	339	Plant Structures and Improvements	-	6.67%
23	340	Office Furniture and Fixtures	-	6.67%
24	340.1	Computers and Software	54,488	20.00%
25	341	Transportation Equipment	52,060	20.00%
26	342	Stores Equipment	-	4.00%
27	343	Tools and Work Equipment	-	5.00%
28	344	Laboratory Equipment	-	10.00%
29	345	Power Operated Equipment	-	5.00%
30	346	Communications Equipment	-	10.00%
31	347	Miscellaneous Equipment	-	10.00%
32	348	Other Tangible Plant	-	3.33%
33				
34	TOTALS		\$ 8,630,976	\$ 255,662
35				
36				
37				
38	Less: Amortization of Contributions - Balance End of TY		\$ 519,544	2.9621% \$ (15,390)
39				
40	Total Depreciation Expense			\$ 240,272
41				
42	Test Year Depreciation Expense			\$ 284,911
43				
44	Increase (decrease) in Depreciation Expense			(44,639)
45				
46	Adjustment to Revenues and/or Expenses			\$ (44,639)



**Farmers Water Co.**  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 2

Exhibit  
Schedule C-2  
Page 3  
Witness: Bourassa

Line  
No.

1	<u>Property Taxes:</u>	
2		
3	Adjusted Revenues in year ended 09/30/07	\$ 563,283
4	Adjusted Revenues in year ended 09/30/07	563,283
5	Proposed Revenues	<u>763,355</u>
6	Average of three year's of revenue	\$ 629,973
7	Average of three year's of revenue, times 2	\$ 1,259,947
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>35,933</u>
12		
13	Full Cash Value	\$ 1,224,014
14	Assessment Ratio	<u>22%</u>
15	Assessed Value	269,283
16	Property Tax Rate	10.1418%
17		
18	Property Tax	27,310
19	Tax on Parcels	24
20		
21	Total Property Tax at Proposed Rates	<u>\$ 27,334</u>
22	Property Taxes in the test year	<u>20,099</u>
23	Change in Property Taxes	<u>\$ 7,235</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ 7,235</u>
27		
28		

**Farmers Water Co.**  
Test Year Ended September 30, 2007  
**ADJUSTMENTS TO REVENUES AND/OR EXPENSES**  
Adjustment Number 3

Exhibit  
Schedule C-2  
Page 4  
Witness: Bourassa

Line  
No.

1	<u>Rate Case Expense</u>	
2		
3	Estimated Rate Case Expense	\$ 75,000
4		
5	Rate Case Expense	<u>\$ 75,000</u>
6		
7	Estimated Amortization Period (in Years)	5.0
8		
9	Annual Rate Case Expense	<u>\$ 15,000</u>
10		
11	Test Year Rate Case Expense	\$ -
12		
13	Increase(decrease) Rate Case Expense	<u>\$ 15,000</u>
14		
15	Adjustment to Revenue and/or Expense	<u>\$ 15,000</u>
16		
17		
18		
19		
20		
21		
22		
23		
24		

Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 4

Exhibit  
Schedule C-2  
Page 5  
Witness: Bourassa

Line  
No.

1	<u>Revenue Annualization</u>			
2				
3				
4	Revenue Annualization	\$	19,125	Adj. Label 4a
5				
6	Increase in metered Revenues	\$	19,125	
7				
8				
9	Revenues from changes to Misc. Service Charges	\$	4,295	
10				
11	Increase in Misc. Revenues	\$	4,295	4b
12				
13				
14				
15	Total Revenue from Annualization	\$	23,420	
16				
17				
18	Adjustment to Revenue and/or Expense	\$	23,420	
19				
20	<u>SUPPORTING SCHEDULES</u>			
21	C-2 pages 5.1 to 5.12			
22	H-1			
23	H-3, page 3.1			
24				
25				
26				
27				

Farmers Water Co.  
5/8 Inch Residential

Customers to Year End Levels  
Test Year Ended September 30, 2007

Exhibit  
Schedule C-2  
Page 5.1  
Witness: Bourassa

Line  
No.

1 Year End Number of Customers  
2 Actual Customers  
3 Increase in Number of Customers/Bills  
4 Average Revenue / Present Rates  
5 Revenue Annualization / Present Rates  
6  
7 Increase in Number of Customers  
8 Average Revenue / Proposed Rates  
9 Revenue Annualization / Proposed Rates  
10 Additional Gallons to be Produced  
11  
12  
13  
14  
15 Year End Number of Customers  
16 Actual Customers  
17 Increase in Number of Customers/Bills  
18 Average Revenue / Present Rates  
19 Revenue Annualization / Present Rates  
20  
21 Increase in Number of Customers  
22 Average Revenue / Proposed Rates  
23 Revenue Annualization / Proposed Rates  
24 Additional Gallons to be Produced

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	
1,884	1,884	1,884	1,884	1,884	1,884	1,884	
1,884	1,752	1,764	1,776	1,795	1,818	1,839	
220	132	120	108	89	66	45	
\$ 13.65	\$ 13.67	\$ 12.04	\$ 13.74	\$ 13.56	\$ 15.23	\$ 14.37	
\$ 3,003	\$ 1,805	\$ 1,444	\$ 1,483	\$ 1,207	\$ 1,005	\$ 846	
220	132	120	108	89	66	45	
\$ 17.20	\$ 17.23	\$ 14.89	\$ 17.32	\$ 17.08	\$ 19.32	\$ 18.16	
\$ 3,784	\$ 2,274	\$ 1,787	\$ 1,870	\$ 1,520	\$ 1,275	\$ 817	
1,236,405	743,804	531,484	613,447	494,599	442,935	275,150	
Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
May-07	Jun-07	Jul-07	Aug-07	Sep-07			
1,884	1,884	1,884	1,884	1,884			
1,836	1,839	1,836	1,832	1,875			
48	52	9	(16)	-			873
\$ 15.07	\$ 17.43	\$ 13.30	\$ 13.11	\$ 13.49			
\$ 724	\$ 906	\$ 120	\$ (210)	\$ -			\$ 12,134
48	52	9	(16)	-			
\$ 19.11	\$ 22.27	\$ 16.74	\$ 16.47	\$ 16.99			\$ 15,290
\$ 724	\$ 906	\$ 120	\$ (210)	\$ -			5,047,125
316,908	427,893	48,424	(83,924)	-			

Farmers Water Co.

5/8 Inch Commercial

Customers to Year End Levels

Test Year Ended September 30, 2007

Exhibit

Schedule C-2

Page 5.2

Witness: Bourassa

Line

No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
1	18	18	18	18	18	18	18
2	18	18	18	18	17	18	18
3	-	-	-	-	1	-	-
4	\$ 31.40	\$ 19.40	\$ 14.72	\$ 12.47	\$ 15.01	\$ 15.33	\$ 19.96
5	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -
6							
7	-	-	-	-	1	-	-
8	\$ 45.02	\$ 26.87	\$ 20.61	\$ 17.53	\$ 20.99	\$ 21.42	\$ 27.62
9	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ -	\$ -
10	-	-	-	-	6,559	-	-
11							
12							
13							
14							
15	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07		Total Year
16	18	18	18	18	18		
17	18	18	18	18	18		
18	-	-	-	-	-		1
19	\$ 21.01	\$ 23.48	\$ 27.40	\$ 22.02	\$ 20.32		
20	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 15
21							
22	\$ 29.21	\$ 32.97	\$ 38.94	\$ 30.74	\$ 28.16		
23	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 21
24	-	-	-	-	-		6,559

**Farmers Water Co.**  
5/8 Inch Industrial

Customers to Year End Levels  
Test Year Ended September 30, 2007

Exhibit  
Schedule C-2  
Page 5.3  
Witness: Bourassa

Line  
No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

Month of	Month of	Month of	Month of	Month of	Month of	Month of
Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
5	5	5	5	5	5	5
4	3	6	5	5	5	5
1	2	(1)	-	-	-	-
\$ 25.16	\$ 10.88	\$ 11.92	\$ 12.38	\$ 11.75	\$ 9.75	\$ 11.75
\$ 25	\$ 22	\$ (12)	\$ -	\$ -	\$ -	\$ -
1	2	(1)	-	-	-	-
\$ 35.52	\$ 15.05	\$ 16.67	\$ 17.38	\$ 16.41	\$ 13.31	\$ 16.41
\$ 36	\$ 30	\$ (17)	\$ -	\$ -	\$ -	\$ -
\$ 13,126	\$ 7,001	\$ (4,334)	\$ -	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Total Year
May-07	Jun-07	Jul-07	Aug-07	Sep-07	
5	5	5	5	5	
3	5	3	6	5	
2	(1)	-	1	-	4
\$ 9.21	\$ 14.93	\$ 18.70	\$ 14.38	\$ 11.75	
\$ 18	\$ (15)	\$ -	\$ 14	\$ -	\$ 53

2	(1)	1	-	-	
\$ 12.46	\$ 20.88	\$ 25.93	\$ 20.15	\$ 16.41	
\$ 18	\$ (15)	\$ -	\$ 14	\$ -	\$ 73
\$ 4,334	\$ (6,501)	\$ -	\$ 6,126	\$ -	\$ 19,752

Exhibit  
Schedule C-2  
Page 5.4

**Customers to Year End Levels  
Test Year Ended September 30, 2007**

**Witness: Bourassa**

Line No.		Month of	Oct-06	Month of	Nov-06	Month of	Dec-06	Month of	Jan-07	Month of	Feb-07	Month of	Mar-07	Month of	Apr-07	Total Year
1	Year End Number of Customers	245		245		245		245		245		245		245		245
2	Actual Customers	192		205		199		208		208		226		225		225
3	Increase in Number of Customers/Bills	53		40		46		37		37		37		19		20
4	Average Revenue / Present Rates	\$ 19.96		\$ 21.85		\$ 15.47		\$ 17.09		\$ 19.39		\$ 23.76		\$ 19.08		\$ 19.08
5	Revenue Annualization / Present Rates	\$ 1,058		\$ 874		\$ 712		\$ 632		\$ 717		\$ 451		\$ 382		\$ 382
6																
7	Increase in Number of Customers:	53		40		46		37		37		37		19		20
8	Average Revenue / Proposed Rates	\$ 26.33		\$ 28.86		\$ 20.33		\$ 22.50		\$ 25.57		\$ 31.22		\$ 25.15		\$ 25.15
9	Revenue Annualization / Proposed Rates	\$ 1,396		\$ 1,155		\$ 935		\$ 832		\$ 946		\$ 593		\$ 503		\$ 503
10	Additional Gallons to be Produced	437,075		381,965		237,070		232,066		290,582		204,503		152,775		152,775
11																
12																
13																
14																
15	Year End Number of Customers	245		245		245		245		245		245		245		245
16	Actual Customers	225		225		225		222		222		223		223		223
17	Increase in Number of Customers/Bills	20		23		22		6		6		-		-		323
18	Average Revenue / Present Rates	\$ 23.59		\$ 31.66		\$ 23.49		\$ 22.06		\$ 20.97		\$ -		\$ -		\$ -
19	Revenue Annualization / Present Rates	\$ 472		\$ 728		\$ 517		\$ 132		\$ -		\$ -		\$ -		\$ 6,675
20																
21	Increase in Number of Customers	20		23		22		6		6		-		-		-
22	Average Revenue / Proposed Rates	\$ 31.02		\$ 42.25		\$ 30.90		\$ 29.15		\$ 27.69		\$ -		\$ -		\$ 8,807
23	Revenue Annualization / Proposed Rates	\$ 472		\$ 728		\$ 517		\$ 132		\$ -		\$ -		\$ -		\$ 8,807
24	Additional Gallons to be Produced	213,209		357,689		233,161		58,195		58,195		-		-		2,798,290

## Test Year Ended September 30, 2007

**Witness: Bourassa**

Line



Farmers Water Co.

1 Inch Industrial

Customers to Year End Levels

Test Year Ended September 30, 2007

Exhibit  
Schedule C-2

Page 5.6

Witness: Bourassa

Line

No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
2	2	2	2	2	2	2
3	4	3	4	2	2	2
(1)	(2)	(1)	(2)	-	-	-
\$ 183.97	\$ 181.71	\$ 148.81	\$ 54.23	\$ 104.76	\$ 153.99	\$ 104.34
\$ (184)	\$ (363)	\$ (149)	\$ (108)	\$ -	\$ -	\$ -
(1)	(2)	(1)	(2)	-	-	-
\$ 273.93	\$ 270.49	\$ 220.45	\$ 76.58	\$ 153.45	\$ 228.34	\$ 152.81
\$ (274)	\$ (541)	\$ (220)	\$ (153)	\$ -	\$ -	\$ -
(107,858)	(212,977)	(86,551)	(58,458)	-	-	-

Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year
2	2	2	2	2	
2	2	2	2	1	
-	-	1	-	-	(5)
\$ 155.08	\$ 252.04	\$ 244.50	\$ 96.38	\$ 96.38	
\$ -	\$ -	\$ 244	\$ -	\$ -	\$ (560)
-	-	1	-	-	
\$ 229.99	\$ 377.48	\$ 366.00	\$ 140.70	\$ 140.70	
\$ -	\$ -	\$ 244	\$ -	\$ -	\$ (823)
-	-	144,544	-	-	(321,299)

Farmers Water Co.  
1.5 Inch Multi-Family

Customers to Year End Levels

Test Year Ended September 30, 2007

Exhibit  
Schedule C-2  
Page 5.7  
Witness: Bourassa

Line  
No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
10	10	10	10	10	10	10
7	8	7	9	8	10	9
3	2	3	1	2	-	1
\$ 32.39	\$ 65.28	\$ 46.89	\$ 52.63	\$ 31.66	\$ 75.21	\$ 60.85
\$ 97	\$ 131	\$ 141	\$ 53	\$ 63	\$ -	\$ 61
40,716	67,001	67,073	25,834	26,251	-	30,816

Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year
10	10	10	10	10	
7	9	7	9	9	
3	1	1	-	-	17
\$ 85.56	\$ 73.97	\$ 82.18	\$ 60.90	\$ 81.15	
\$ 257	\$ 74	\$ 82	\$ -	\$ -	\$ 958

Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
10	10	10	10	10	10	10
7	8	7	9	8	10	9
3	2	3	1	2	-	1
\$ 121.37	\$ 103.75	\$ 116.23	\$ 83.87	\$ 114.66		
\$ 257	\$ 74	\$ 82	\$ -	\$ -	\$ 1,346	
137,379	38,771	43,743	-	-	477,582	

Farmers Water Co.

1.5 Inch Commercial

Customers to Year End Levels

Test Year Ended September 30, 2007

Exhibit

Schedule C-2

Page 5.8

Witness: Bourassa

Line No.		Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
1	Year End Number of Customers	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07		
2	Actual Customers	7	7	7	7	7	7	7		
3	Increase in Number of Customers/Bills	-	(3)	(2)	-	(4)	1	-		
4	Average Revenue / Present Rates	\$ 67.87	\$ 40.94	\$ 34.66	\$ 37.58	\$ 42.55	\$ 40.94	\$ 53.25		
5	Revenue Annualization / Present Rates	\$ -	\$ (123)	\$ (69)	\$ -	\$ (170)	\$ 41	\$ -		
6										
7	Increase in Number of Customers	-	(3)	(2)	-	(4)	1	-		
8	Average Revenue / Proposed Rates	\$ 94.47	\$ 57.05	\$ 49.66	\$ 53.10	\$ 58.95	\$ 57.05	\$ 72.24		
9	Revenue Annualization / Proposed Rates	\$ -	\$ (171)	\$ (99)	\$ -	\$ (236)	\$ 57	\$ -		
10	Additional Gallons to be Produced	-	(56,252)	(29,890)	-	(78,911)	18,751	-		
11										
12										
13										
14	Year End Number of Customers	May-07	Jun-07	Jul-07	Aug-07	Sep-07				
15	Actual Customers	7	7	7	7	7				
16	Increase in Number of Customers/Bills	9	9	9	9	9				
17	Average Revenue / Present Rates	(2)	(2)	(2)	(1)	-			(13)	
18	Revenue Annualization / Present Rates	\$ 36.03	\$ 61.62	\$ 29.98	\$ 38.15	\$ 33.10				
19		\$ (72)	\$ -	\$ (60)	\$ (38)	\$ -			\$ (492)	
20										
21	Increase in Number of Customers	(2)	-	(2)	(1)	-				
22	Average Revenue / Proposed Rates	\$ 51.28	\$ 84.96	\$ 44.16	\$ 53.77	\$ 47.83				
23	Revenue Annualization / Proposed Rates	\$ (72)	\$ -	\$ (60)	\$ (38)	\$ -			\$ (694)	
24	Additional Gallons to be Produced	(31,557)	-	(24,223)	(17,063)	-			(219,145)	

Farmers Water Co.  
2 Inch Multi-Family

Customers to Year End Levels

Test Year Ended September 30, 2007

Exhibit  
Schedule C-2  
Page 5.9  
Witness: Bourassa

Line  
No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07
28	28	28	28	28	28	28	28	28	28
26	28	24	25	27	28	26	28	28	26
2	4	3	1	1	2	2	2	2	2
\$ 174.70	\$ 163.27	\$ 113.16	\$ 129.95	\$ 141.68	\$ 184.62	\$ 170.20	\$ 170.20	\$ 170.20	\$ 170.20
\$ 349	\$ -	\$ 453	\$ 390	\$ 142	\$ -	\$ 340	\$ -	\$ -	\$ -
\$ 191,756	\$ -	\$ 234,318	\$ 206,281	\$ 75,867	\$ -	\$ 186,301	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
28	28	28	28	28	28	28	28	28	28
27	26	27	27	28	28	28	28	28	28
1	1	1	1	1	1	1	1	1	1
\$ 193.08	\$ 247.01	\$ 169.44	\$ 156.55	\$ 148.87	\$ 148.87	\$ 148.87	\$ 148.87	\$ 148.87	\$ 148.87
\$ 193	\$ 247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 107,017	\$ 139,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

14	\$ 2,114
----	----------

\$ 3,009	1,141,243
----------	-----------

Farmers Water Co.

2 Inch Commercial

Customers to Year End Levels

Test Year Ended September 30, 2007

Exhibit  
Schedule C-2

Page 5.10

Witness: Bourassa

Line No.		Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
1	Year End Number of Customers	17	17	17	17	17	17	17
2	Actual Customers	16	17	17	17	17	17	17
3	Increase in Number of Customers/Bills	1	-	-	-	-	-	-
4	Average Revenue / Present Rates	\$ 72.78	\$ 96.35	\$ 94.51	\$ 74.72	\$ 80.59	\$ 87.56	\$ 114.95
5	Revenue Annualization / Present Rates	\$ 73	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	Increase in Number of Customers	1	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	\$ 99.25	\$ 131.77	\$ 128.96	\$ 101.54	\$ 108.45	\$ 118.39	\$ 160.06
9	Revenue Annualization / Proposed Rates	\$ 99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Additional Gallons to be Produced	34,107	-	-	-	-	-	-
11								
12								
13								
14								
15	Year End Number of Customers	17	17	17	17	17	17	17
16	Actual Customers	17	17	17	16	17	17	17
17	Increase in Number of Customers/Bills	-	1	-	-	-	-	2
18	Average Revenue / Present Rates	\$ 99.10	\$ 114.22	\$ 120.09	\$ 102.80	\$ 95.92		
19	Revenue Annualization / Present Rates	\$ -	\$ 114	\$ -	\$ -	\$ -	\$ 187	
20								
21	Increase in Number of Customers	-	1	-	-	-	-	
22	Average Revenue / Proposed Rates	\$ 135.95	\$ 158.95	\$ 167.88	\$ 141.57	\$ 131.12		
23	Revenue Annualization / Proposed Rates	\$ -	\$ 114	\$ -	\$ -	\$ -	\$ 258	
24	Additional Gallons to be Produced	-	59,225	-	-	-	93,332	

Test Year Ended September 30, 2007

Exhibit  
Schedule C-2  
Page 5.11  
Witness: Bour

[illegible]

Test Year Ended September 30, 2007

Exhibit  
Schedule C-2  
Page 5.12  
Witness: Bour

[illegible]

Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 5

Exhibit  
Schedule C-2  
Page 6  
Witness: Bourassa

Line

No.

1	<u>Purchased Power Annualization</u>		
2			
3			
4	Test Year Purchased Power	\$	16,942
5	Gallons Sold During Test Year (in 1,000's)		236,446
6	Cost per 1,000 gallons	\$	0.07165
7	Additional Gallons from Revenue Annualization		6,392
8	Additional Purchased Power Costs	\$	458.01
9			
10			
11	Increase (decrease) in purchased power	\$	458.01
12			
13			
14			
15	Adjustment to Revenue and/or Expense	\$	<u>458</u>
16			
17			
18			
19			
20			



Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 6

Exhibit  
Schedule C-2  
Page 7  
Witness: Bourassa

Line

No.

1 Reclass Payroll Taxes Included in Salaries and Wages

2

3

4 Payroll Taxes included in Wages and Salaries

\$ 13,398

5

6

7 Adjustment to Salaries and Wages

\$ (13,398)

Adj.

Label

6a

8

9 Adjustment to Taxes Other than Income

\$ 13,398

6b

10

11

12

13

14

15 Adjustment to Revenue and/or Expense

\$ -

16

17

18

19

20

Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 7

Exhibit  
Schedule C-2  
Page 8  
Witness: Bourassa

Line  
No.

1	<u>Reclass Worker's Compensation Insurance Included In Salaries and Wages</u>		
2			
3			
4	Worker's Compensation Ins. included in Wages and Salaries	\$	7,832
5			
6			<u>Adjustment Label</u>
7	Adjustment to Salaries and Wages	\$	(7,832) 7a
8			
9	Adjustment to Insurance - Worker's Compensation	\$	7,832 7b
10			
11			
12			
13			
14			
15	Adjustment to Revenue and/or Expense	\$	<u>-</u>
16			
17			
18			
19			
20			

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Adjustment to Revenues and Expenses**  
**Adjustment Number 8**

Exhibit  
Schedule C-2  
Page 9  
Witness: Bourassa

Line  
No.

1	<u>Salaries and Wages Annualization</u>		
2			<u>Adj.</u>
3			<u>Label</u>
4	Annualized Salaries & Wages including 2008 Wage Increases	\$ 180,508	
5			
6	Adjusted Test Tear Salaries and Wages	<u>172,479</u>	
7			
8	Increase(Decrease) in Salaries and Wages	<u>\$ 8,029</u>	8a
9			
10			
11	Annualized Payroll Taxes	\$ 15,140	
12			
13	Adjusted Test Tear Payroll Taxes	<u>13,398</u>	
14			
15	Increase(Decrease) in Salaries and Wages	<u>\$ 1,741</u>	8b
16			
17			
18	Adjustment to Revenue and/or Expense	<u>\$ 9,770</u>	
19			
20			

Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 9

Exhibit  
Schedule C-2  
Page 10  
Witness: Bourassa

Line  
No.

1 Remove Other Income and Expenses to Eliminate Effects on Income Taxes

2

3

4 Test Year Interest Income

\$

-

5 Test Year Other Income

(4,953)

6 Test Year Other Expense

(500)

7

8 Total

\$ (5,453)

9

10

11 Adjustment to Revenue and/or Expense

\$ (5,453)

12

13

14

15

16

17

18

19

20

Adj.  
Label

9a

9b

9c

Farmers Water Co.  
Test Year Ended September 30, 2007  
Adjustment to Revenues and Expenses  
Adjustment Number 10

Exhibit  
Schedule C-2  
Page 11  
Witness: Bourassa

Farmers Water Co. Income Tax Calculation	Test Year Book Results	Test Year Adjusted Results	Adjusted with Rate Increase
Income Before Taxes	\$ (125,028)	\$ (94,886)	\$ 105,186
Arizona Income Before Taxes	\$ (125,028)	\$ (94,886)	\$ 105,186
Less Arizona Income Tax Rate = 6.97%	\$ (8,712)	\$ (6,612)	\$ 7,329
Arizona Taxable Income	\$ (116,316)	\$ (88,274)	\$ 97,857
Arizona Income Taxes	\$ (8,712)	\$ (6,612)	\$ 7,329
Federal Income Before Taxes	\$ (125,028)	\$ (94,886)	\$ 105,186
Less Arizona Income Taxes	\$ (8,712)	\$ (6,612)	\$ 7,329
Federal Taxable Income	\$ (116,316)	\$ (88,274)	\$ 97,857
<b>FEDERAL INCOME TAXES:</b>			
15% BRACKET	\$ (17,447)	\$ (13,241)	\$ 7,500
25% BRACKET	\$ -	\$ -	\$ 6,250
34% BRACKET	\$ - Federal	\$ - Federal	\$ 7,771 Federal
39% BRACKET	\$ - Effective	\$ - Effective	\$ - Effective
34% BRACKET	\$ - Tax	\$ - Tax	\$ - Tax
	Rate	Rate	Rate
Federal Income Taxes	\$ (17,447) 13.95%	\$ (13,241) 13.95%	\$ 21,521 20.46%
Total Income Tax	\$ (26,159)	\$ (19,853)	\$ 28,851
Overall Tax Rate	20.92%	20.92%	27.43%
Income Tax at Proposed Rates Effective Rate		(26,026)	

Farmers Water Co.  
Test Year Ended September 30, 2007  
Computation of Gross Revenue Conversion Factor

Exhibit  
Schedule C-3  
Page 1  
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	20.46%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	27.43%
9		
10	Operating Income % = 100% - Tax Percentage	72.57%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.3779
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1
20		

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Summary of Cost of Capital**

Exhibit  
Schedule D-1  
Page 1  
Witness: Bourassa

Line No.	Item of Capital	End of Test Year				End of Projected Year			
		Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Short-Term Debt	\$ -	0.00%	0.00%	0.00%	\$ -	0.00%	0.00%	0.00%
2									
3	Long-Term Debt	-	0.00%	0.00%	0.00%	\$ -	0.00%	0.00%	0.00%
4									
5	Stockholder's Equity <sup>1</sup>	260,593	100.00%	NM	0.00%	130,112	100.00%	NM	0.00%
6									
7	Totals	\$ 260,593	100.00%		0.00%	\$ 130,112	100.00%		0.00%
8									
9	<sup>1</sup> Equity Adjustments								
10	Equity per Schedule E-1	\$ (440,202)							
11	Adjustments								
12	Plant-in-service adjustment	\$ 599,572			B-2 adjustment 1a				
13	Accumulated Depreciation adjustment	\$ 287,495			B-2 adjustment 1b				
14	Advances-in-aid of construction adjustment	\$ 54,433			B-2 adjustment 2				
15	Contributions-in-aid of construction adjustment	\$ (297,653)			B-2 adjustment 3a				
16	A.A. CIAC adjustment	\$ 56,949			B-2 adjustment 3b				
17	Adjusted Equity Balance	\$ 260,593							
18									

\* Not meaningful, rate base is negative. An operating margin approach used.

**SUPPORTING SCHEDULES:**

D-1  
D-3  
D-4  
E-1  
B-2

**RECAP SCHEDULES:**  
A-3

Farmers Water Co.  
Test Year Ended September 30, 2007  
Comparative Balance Sheets

Exhibit  
Schedule E-1  
Page 1  
Witness: Bourassa

Line No.		Test Year Ended 9/30/2007	Year Ended 9/30/2006	Year Ended 9/30/2005
1	<b>ASSETS</b>			
2				
3	Plant In Service	\$ 8,031,404	\$ 7,952,169	\$ 6,699,478
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	8,988	-	-
6	Less: Accumulated Depreciation	(2,327,090)	(1,994,584)	(1,705,475)
7	Net Plant	<u>\$ 5,713,302</u>	<u>\$ 5,957,585</u>	<u>\$ 4,994,003</u>
8				
9	<b>CURRENT ASSETS</b>			
10	Cash and Equivalents	\$ (8,976)	\$ (1,213)	\$ (31,322)
11	Restricted Cash	-	-	-
12	Accounts Receivable, Net	28,002	7,876	44,004
13	Receivables from Associated Companies	1,026,334	881,076	836,783
14	Materials and Supplies	-	-	-
15	Prepayments	(703)	(871)	6,037
16	Deferred Income Taxes, Current	-	-	-
17	Other Current Assets	-	-	-
18	Total Current Assets	<u>\$ 1,044,657</u>	<u>\$ 886,868</u>	<u>\$ 855,502</u>
19				
20				
21	<b>TOTAL ASSETS</b>	<u>\$ 6,757,959</u>	<u>\$ 6,844,453</u>	<u>\$ 5,849,505</u>
22				
23	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
24				
25	Common Equity	\$ (440,202)	\$ (315,174)	\$ (122,803)
26				
27	Long-Term Debt, less current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
28				
29	<b>CURRENT LIABILITIES</b>			
30	Accounts Payable	\$ 9,988	\$ 10,811	\$ 8,264
31	Current Portion of Long-Term Debt	-	-	-
32	Payables to Associated Companies	-	-	-
33	Customer Meter Deposits, Current	-	-	-
34	Accrued Taxes	-	-	-
35	Accrued Employee expenses	-	-	-
36	Accrued Interest	-	-	-
37	Misc. Current Liabilities	34,418	37,149	29,197
38	Total Current Liabilities	<u>\$ 44,406</u>	<u>\$ 47,960</u>	<u>\$ 37,461</u>
39				
40	<b>DEFERRED CREDITS</b>			
41	Customer Meter Deposits, less current	\$ -	\$ -	\$ -
42	Advances in Aid of Construction	6,929,348	6,830,688	5,653,208
43	Accumulated Deferred Income Taxes	-	-	-
44	Contributions In Aid of Construction	278,839	333,271	333,683
45	Accumulated Amortization, CIAC	(54,432)	(52,292)	(52,044)
46	Other	-	-	-
47	Asset Retirement Obligations	-	-	-
48	Total Deferred Credits	<u>\$ 7,153,755</u>	<u>\$ 7,111,667</u>	<u>\$ 5,934,847</u>
49				
50	Total Liabilities & Common Equity	<u>\$ 6,757,959</u>	<u>\$ 6,844,453</u>	<u>\$ 5,849,505</u>
51				
52	<b>SUPPORTING SCHEDULES:</b>			
53	E-5			
54				
55				



**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Comparative Income Statements**

Exhibit  
Schedule E-2  
Page 1  
Witness: Bourassa

Line No.		Test Year Ended 9/30/2007	Prior Year Ended 9/30/2006	Prior Year Ended 9/30/2005
1	<b>Revenues</b>			
2	Metered Water Revenues	\$ 532,073	\$ 461,329	\$ 442,659
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	7,790	4,875	12,430
5	<b>Total Revenues</b>	<b>\$ 539,863</b>	<b>\$ 466,204</b>	<b>\$ 455,089</b>
6	<b>Operating Expenses</b>			
7	Salaries and Wages	\$ 193,709	\$ 184,654	\$ 159,037
8	Purchased Water	-	-	-
9	Purchased Power	16,942	21,209	15,685
10	Chemicals	-	-	-
11	Repairs and Maintenance	76,477	97,575	23,088
12	Office Supplies and Expense	15,427	18,641	19,720
13	Outside Services	15,105	31,955	45,564
14	Water Testing	11,154	12,500	8,784
15	Rents	-	-	-
16	Transportation Expenses	2,018	4,273	2,638
17	Insurance - General Liability	3,317	3,327	2,347
18	Insurance - Health and Life	22,691	16,021	12,883
19	Regulatory Commission Expense - Rate Case	-	-	-
20	Miscellaneous Expense	8,494	4,487	12,321
21	Depreciation Expense	284,911	243,727	199,332
22	Taxes Other Than Income	-	-	-
23	Property Taxes	20,099	21,128	18,187
24	Income Tax	-	-	-
25				
26	<b>Total Operating Expenses</b>	<b>\$ 670,344</b>	<b>\$ 659,497</b>	<b>\$ 519,586</b>
27	<b>Operating Income</b>	<b>\$ (130,481)</b>	<b>\$ (193,293)</b>	<b>\$ (64,497)</b>
28	<b>Other Income (Expense)</b>			
29	Interest Income	-	-	-
30	Other Income (loss)	4,953	922	-
31	Interest Expense	-	-	-
32	Other Income (Expense)	500	-	-
33				
34	<b>Total Other Income (Expense)</b>	<b>\$ 5,453</b>	<b>\$ 922</b>	<b>\$ -</b>
35	<b>Net Profit (Loss)</b>	<b>\$ (125,028)</b>	<b>\$ (192,371)</b>	<b>\$ (64,497)</b>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:  
A-2

Farmers Water Co.  
Test Year Ended September 30, 2007  
Detail of Plant in Service

Exhibit  
Schedule E-5  
Page 1  
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 9/30/2006	Plant Additions, Reclass- ifications or Retirements	Plant Balance at 9/30/2007
1					
2	301	Organization Cost	\$ 6,893	\$ -	\$ 6,893
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	-	-	-
5	304	Structures and Improvements	14,565	-	14,565
6	307	Wells and Springs	694,075	-	694,075
7	311	Electric Pumping Equipment	251,348	18,557	269,905
8	320	Water Treatment Equipment	-	-	-
9	320.1	Water Treatment Plants	-	-	-
10	320.2	Chemical Solution Feeders	10,482	-	10,482
11	330	Distribution Reservoirs & Standpipe	-	-	-
12	330.1	Storage Tanks	467,978	-	467,978
13	330.2	Pressure Tanks	-	-	-
14	331	Transmission and Distribution Mains	5,821,757	-	5,821,757
15	333	Services	806,566	-	806,566
16	334	Meters	148,104	50,838	198,942
17	335	Hydrants	233,265	-	233,265
18	336	BackFlow Prevention Devices	-	-	-
19	339	Plant Structures and Improvements	-	-	-
20	340	Office Furniture and Fixtures	-	-	-
21	340.1	Computers and Software	54,488	-	54,488
22	341	Transportation Equipment	42,220	9,840	52,060
23	342	Stores Equipment	-	-	-
24	343	Tools and Work Equipment	-	-	-
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	-	-	-
27	346	Communications Equipment	-	-	-
28	347	Miscellaneous Equipment	-	-	-
29	348	Other Tangible Plant	-	-	-
30		Plant Held for Future Use	-	-	-
31					
32		TOTAL WATER PLANT	\$ 8,551,741	\$ 79,235	\$ 8,630,976
33					
34		<u>SUPPORTING SCHEDULES</u>		<u>RECAP SCHEDULES:</u>	
35				A-4	
36				E-1	
37					

Farmers Water Co.  
Test Year Ended September 30, 2007  
Operating Statistics

Exhibit  
Schedule E-7  
Page 1  
Witness: Bouras

Line No.		Test Year Ended <u>9/30/2007</u>	Prior Year Ended <u>9/30/2006</u>	Prior Year Ended <u>9/30/2005</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	236,446	264,588	229,347
6				
7				
8				
9	Water Revenues from Customers:	\$ 532,073	\$ 461,329	\$ 442,659
10				
11				
12				
13				
14	Year End Number of Customers	2,237	1,955	1,788
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	106	135	128
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 237.85	\$ 235.97	\$ 247.57
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.0717	\$ 0.0802	\$ 0.0684
25	Purchased Water Cost per 1,000 Gallons	\$ -	\$ -	\$ -

Farmers Water Co.  
Test Year Ended September 30, 2007  
Taxes Charged to Operations

Exhibit  
Schedule E-8  
Page 1  
Witness: Bourassa

Line No.	Description	Test Year Ended 9/30/2007	Prior Year Ended 9/30/2006	Prior Year Ended 9/30/2005
1				
2				
3	Federal Income Taxes	\$ -	\$ -	\$ -
4	State Income Taxes	-	-	-
5	Payroll Taxes	13,398	13,193	12,147
6	Property Taxes	20,099	21,128	18,187
7				
8	Totals	<u>\$ 33,497</u>	<u>\$ 34,321</u>	<u>\$ 30,334</u>
9				
10				
11				
12				
13				
14				

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Notes To Financial Statements**

**Exhibit**  
**Schedule E-9**  
**Page 1**  
**Witness: Bourassa**

**The Company does not conduct independent audits**

**Farmers Water Co.**  
Test Year Ended September 30, 2007  
Projected Income Statements - Present & Proposed Rates

Exhibit  
Schedule F-1  
Page 1  
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 9/30/2008	At Proposed Rates Year Ended 9/30/2008
1	<b>Revenues</b>			
2	Metered Water Revenues	\$ 532,073	\$ 551,198	\$ 751,270
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	7,790	12,085	12,085
5		<u>\$ 539,863</u>	<u>\$ 563,283</u>	<u>\$ 763,355</u>
6	<b>Operating Expenses</b>			
7	Salaries and Wages	\$ 193,709	\$ 180,508	\$ 180,508
8	Purchased Water	-	-	-
9	Purchased Power	16,942	17,400	17,400
10	Chemicals	-	-	-
11	Repairs and Maintenance	76,477	76,477	76,477
12	Office Supplies and Expense	15,427	15,427	15,427
13	Outside Services	15,105	15,105	15,105
14	Water Testing	11,154	11,154	11,154
15	Rents	-	-	-
16	Transportation Expenses	2,018	2,018	2,018
17	Insurance - General Liability	3,317	3,317	3,317
18	Insurance - health and Life	22,691	22,691	22,691
19	Regulatory Commission Expense - Rate Case	-	15,000	15,000
20	Miscellaneous Expense	8,494	8,494	8,494
21	Depreciation Expense	284,911	240,272	240,272
22	Taxes Other Than Income	-	15,140	15,140
23	Property Taxes	20,099	27,334	27,334
24	Income Tax	-	(26,026)	28,851
25				
26	<b>Total Operating Expenses</b>	<u>\$ 670,344</u>	<u>\$ 624,311</u>	<u>\$ 679,188</u>
27	<b>Operating Income</b>	<u>\$ (130,481)</u>	<u>\$ (61,029)</u>	<u>\$ 84,167</u>
28	<b>Other Income (Expense)</b>			
29	Interest Income	-	-	-
30	Other income	4,953	4,953	4,953
31	Interest Expense	-	-	-
32	Other Expense	500	-	-
33	Gain/Loss Sale of Fixed Assets	-	-	-
34	<b>Total Other Income (Expense)</b>	<u>\$ 5,453</u>	<u>\$ 4,953</u>	<u>\$ 4,953</u>
35	<b>Net Profit (Loss)</b>	<u><u>\$ (125,028)</u></u>	<u><u>\$ (56,076)</u></u>	<u><u>\$ 89,120</u></u>
36				

**Farmers Water Co.**  
Test Year Ended September 30, 2007  
Projected Construction Requirements

Exhibit  
Schedule F-3  
Page 1  
Witness: Bourassa

Line					
No.					
1					
2	Account				
3	Number	Plant Asset:	2008	2009	2010
4	301	Organization Cost	\$ -	\$ -	\$ -
5	302	Franchise Cost			
6	303	Land and Land Rights			
7	304	Structures and Improvements		10,000	
8	306	Lake, River and Other Intakes			
9	307	Wells and Springs			
10	310	Power Generation Equipment			
11	311	Electric Pumping Equipment			
12	320	Water Treatment Equipment			
13	330	Distribution Reservoirs & Standpipe	20,000	20,000	
14	331	Transmission and Distribution Mains		60,000	100,000
15	333	Services			
16	334	Meters	90,000	78,000	84,000
17	335	Hydrants			
18	339	Other Plant Structures and Improvements			
19	340	Office Furniture and Fixtures			
20	341	Transportation Equipment			
21	343	Tools and Work Equipment			
22	344	Power Operated Equipment			
23	345	Communications Equipment			
24	346	Miscellaneous Equipment	19,000	15,000	
25	348	Other Tangible Plant			
26					
27	Total		<u>\$ 129,000</u>	<u>\$ 183,000</u>	<u>\$ 184,000</u>
28					
29					
30					

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Assumptions Used in Rate Filing**

**Exhibit**  
**Schedule F-4**  
**Page 1**  
**Witness: Bourassa**

Line  
No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
- 7
- 8 Accumulated depreciation and depreciation expense were computed at Arizona Corporation
- 9 Commission allowed rated in Prior Commission Decision.
- 10
- 11 Income taxes were computed using statutory state and federal income tax rates.
- 12
- 13
- 14
- 15



Farmers Water Co.  
Test Year Ended September 30, 2007  
Revenue Summary  
With Annualized Revenues to Year End Number of Customers

Exhibit  
Schedule H-1  
Page 1  
Witness: Bourassa

Line No.	Meter Size		Company Present Revenues	Company Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	\$ 319,061	\$ 415,615	\$ 96,554	30.26%	56.64%	54.45%
2	1 Inch	Residential	59,415	79,738	20,323	34.21%	10.55%	10.45%
3		Subtotal	\$ 378,476	\$ 495,353	\$ 116,877	30.88%	67.19%	64.89%
4								
5	5/8 Inch	Commercial	\$ 4,626	\$ 6,606	\$ 1,981	42.82%	0.82%	0.87%
6	1 Inch	Commercial	4,046	5,656	1,609	39.77%	0.72%	0.74%
7	1.5 Inch	Commercial	4,162	5,975	1,813	43.57%	0.74%	0.78%
8	2 Inch	Commercial	19,492	28,161	8,669	44.48%	3.46%	3.69%
9	3 Inch	Commercial	2,511	4,003	1,492	59.42%	0.45%	0.52%
10		Subtotal	\$ 34,837	\$ 50,401	\$ 15,565	44.68%	6.18%	6.60%
11								
12	1.5 Inch	Multi-Family	\$ 6,572	\$ 9,468	\$ 2,896	44.06%	1.17%	1.24%
13	2 Inch	Multi-Family	53,791	78,425	24,634	45.80%	9.55%	10.27%
14	6 Inch	Multi-Family	14,214	21,897	7,682	54.05%	2.52%	2.87%
15		Subtotal	\$ 74,577	\$ 109,790	\$ 35,213	47.22%	13.24%	14.38%
16								
17	5/8 Inch	Industrial	\$ 801	\$ 1,113	\$ 313	39.02%	0.14%	0.15%
18	1 Inch	Industrial	4,142	6,157	2,015	48.66%	0.74%	0.81%
19	4 Inch	Industrial	26,243	39,776	13,533	51.57%	4.66%	5.21%
20		Subtotal	\$ 31,186	\$ 47,046	\$ 15,861	50.86%	5.54%	6.16%
21								
22	2 Inch	Standpipe	\$ 10,271	\$ 20,040	\$ 9,769	95.11%	1.82%	2.63%
23	6 Inch	Standpipe	1,867	5,386	3,520	188.59%	0.33%	0.71%
24		Subtotal	12,137	25,426	13,289	109.49%	2.15%	3.33%
25								
26								
27	Total Revenue before Annualization		\$ 531,212	\$ 728,016	\$ 196,804	37.05%	94.31%	95.37%
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								

Farmers Water Co.  
Test Year Ended September 30, 2007  
Revenue Summary  
With Annualized Revenues to Year End Number of Customers

Exhibit  
Schedule H-1  
Page 2  
Witness: Bourassa

Line No.	Meter Size		Revenue Annualization			Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
			Present Revenues	Proposed Revenues	Dollar Change			
1	5/8 Inch	Residential	\$ 12,134	\$ 15,290	\$ 3,157	26.01%	2.15%	2.00%
2	1 Inch	Residential	6,675	8,807	2,132	31.94%	1.185%	1.154%
3		Subtotal	\$ 18,809	\$ 24,097	\$ 5,288	28.12%	3.34%	3.16%
4								
5	5/8 Inch	Commercial	\$ 15	\$ 21	\$ 6	39.85%	0.00%	0.00%
6	1 Inch	Commercial	49	65	15	30.86%	0.01%	0.01%
7	1.5 Inch	Commercial	(492)	(694)	(202)	41.15%	-0.09%	-0.09%
8	2 Inch	Commercial	187	258	71	38.08%	0.03%	0.03%
9	3 Inch	Commercial	-	-	-	0.00%	0.000%	0.000%
10		Subtotal	\$ (240)	\$ (350)	\$ (110)	45.74%	-0.043%	-0.046%
11								
12	1.5 Inch	Multi-Family	\$ 958	\$ 1,346	\$ 388	40.46%	0.170%	0.176%
13	2 Inch	Multi-Family	2,114	3,009	895	42.32%	0.38%	0.39%
14	6 Inch	Multi-Family	-	-	-	0.00%	0.000%	0.000%
15		Subtotal	\$ 3,072	\$ 4,354	\$ 1,282	41.74%	0.545%	0.570%
16								
17	5/8 Inch	Industrial	\$ 53	\$ 73	\$ 20	38.38%	0.01%	0.01%
18	1 Inch	Industrial	(560)	(823)	(262)	46.84%	-0.099%	-0.108%
19	4 Inch	Industrial	-	-	-	0.00%	0.00%	0.00%
20		Subtotal	\$ (507)	\$ (749)	\$ (242)	47.72%	-0.09%	-0.10%
21								
22	2 Inch	Standpipe	\$ (1,886)	\$ (3,719)	\$ (1,833)	97.21%	-0.33%	-0.49%
23	6 Inch	Standpipe	\$ (123)	\$ (373)	\$ (250)	203.28%	-0.02%	-0.05%
24		Subtotal	\$ (2,009)	\$ (4,092)	\$ (2,083)	103.70%	-0.36%	-0.54%
25								
26								
27	Total Revenue Annualization		\$ 19,125	\$ 23,260	\$ 4,135	21.62%	\$ 0	\$ 0
28								
29	Total Revenues with Annualization		\$ 550,337	\$ 751,276	\$ 200,939	36.51%	97.29%	97.99%
30								
31	Misc. Serv. Rev.		7,790	7,790	-	0.00%	1.383%	1.020%
32	Annualization of Misc Service Revenues		4,295	4,295	-	0.00%	0.762%	0.563%
33	Unreconciled Difference to C-1		861	(6)	(867)	-100.70%	0.153%	-0.001%
34								
35								
36	Total Revenues		\$ 563,283	\$ 763,355	\$ 200,072	35.52%	99.59%	99.57%
37								

Farmers Water Co.  
Test Year Ended September 30, 2007  
Analysis of Revenue by Detailed Class

Exhibit  
Schedule H-2  
Page 1  
Witness: Bourassa

			(a) Average Number of Customers	Revenues						Proposed Increase	
Line No.	Meter Size		at 9/30/2007	Average Consumption		Present Rates		Proposed Rates		Dollar Amount	Percent Amount
1	5/8 Inch	Residential	1,811	5,898	\$	319,061	\$	415,615	\$	96,554	30.26%
2	1 Inch	Residential	218	9,316	\$	59,415	\$	79,738	\$	20,323	34.21%
3		Subtotal	2,029								
4											
5	5/8 Inch	Commerical	18	9,980	\$	4,626	\$	6,606	\$	1,981	42.82%
6	1 Inch	Commerical	9	19,090	\$	4,046	\$	5,656	\$	1,609	39.77%
7	1.5 Inch	Commercial	8	19,609	\$	4,162	\$	5,975	\$	1,813	43.57%
8	2 Inch	Commercial	17	48,277	\$	19,492	\$	28,161	\$	8,669	44.48%
9	3 Inch	Commercial	2	47,630	\$	2,511	\$	4,003	\$	1,492	59.42%
10		Subtotal	54								
11											
12	1.5 Inch	Multi-Family	9	32,354	\$	6,572	\$	9,468	\$	2,896	44.06%
13	2 Inch	Multi-Family	27	91,028	\$	53,791	\$	78,425	\$	24,634	45.80%
14	6 Inch	Multi-Family	2	336,520	\$	14,214	\$	21,897	\$	7,682	54.05%
15		Subtotal	37								
16											
17	5/8 Inch	Industrial	5	5,429	\$	801	\$	1,113	\$	313	39.02%
18	1 Inch	Industrial	2	82,309	\$	4,142	\$	6,157	\$	2,015	48.66%
19	4 Inch	Industrial	1	1,307,825	\$	2,511	\$	4,003	\$	1,492	59.42%
20		Subtotal	8								
21											
22	2 Inch	Standpipe	8	70,890	\$	10,271	\$	20,040	\$	9,769	95.11%
23	6 Inch	Standpipe	1	82,862	\$	1,867	\$	5,386	\$	3,520	188.59%
24		Subtotal	9								
25											
26		Totals	2,138								

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Analysis of Average Bill by Detailed Class**

Exhibit  
Schedule H-2  
Page 2  
Witness: Bourassa

Line No.	Meter Size and Class		(a) Average Number of Customers at 9/30/2007	Average Consumption	Average Bill		Proposed Increase	
			Present Rates		Proposed Rates	Dollar Amount	Percent Amount	
1	5/8 Inch	Residential	1,811	5,898	\$ 14.05	\$ 17.74	3.69	26.25%
2	1 Inch	Residential	218	9,316	\$ 21.51	\$ 28.41	6.90	32.09%
3		Subtotal	2,029					
4								
5	5/8 Inch	Commerical	18	9,980	\$ 19.97	\$ 27.64	7.67	38.38%
6	1 Inch	Commerical	9	19,090	\$ 37.50	\$ 51.13	13.64	36.36%
7	1.5 Inch	Commercial	8	19,609	\$ 42.35	\$ 58.72	16.36	38.63%
8	2 Inch	Commercial	17	48,277	\$ 96.16	\$ 131.47	35.32	36.73%
9	3 Inch	Commercial	2	47,630	\$ 100.59	\$ 158.54	57.95	57.61%
10		Subtotal	54					
11								
12	1.5 Inch	Multi-Family	9	32,354	\$ 63.38	\$ 87.64	24.26	38.28%
13	2 Inch	Multi-Family	27	91,028	\$ 166.70	\$ 238.77	72.08	43.24%
14	6 Inch	Multi-Family	2	336,520	\$ 592.26	\$ 909.02	316.76	53.48%
15		Subtotal	37					
16								
17	5/8 Inch	Industrial	5	5,429	\$ 13.37	\$ 18.80	5.43	40.58%
18	1 Inch	Industrial	2	82,309	\$ 141.81	\$ 209.80	67.99	47.95%
19	4 Inch	Industrial	1	1,307,825	\$ 2,186.91	\$ 3,314.64	1,127.73	51.57%
20		Subtotal	8					
21								
22	2 Inch	Standpipe	8	70,890	\$ 108.11	\$ 210.94	102.83	95.11%
23	6 Inch	Standpipe	1	82,862	\$ 143.58	\$ 414.35	270.77	188.59%
24		Subtotal	9					
25								
26		Totals	2,138					

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Farmers Water Co.  
Customer Count Summary  
Test Year Ended September 30, 2007

Exhibit  
Schedule H-2  
Page 3.0  
Witness: Bourassa

Line No.	Meter Size	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
1								
2								
3								
4	5/8 Inch	1,664	1,752	1,764	1,776	1,795	1,818	1,839
5	1 Inch	192	205	199	208	208	226	225
6		1,856	1,957	1,963	1,984	2,003	2,044	2,064
7								
8	5/8 Inch	18	18	18	18	17	18	18
9	1 Inch	7	8	7	9	8	10	9
10	1.5 Inch	7	10	9	7	11	6	7
11	2 Inch	16	17	17	17	17	17	17
12	3 Inch	2	2	2	2	2	2	2
13		50	55	53	53	55	53	53
14								
15	1.5 Inch	7	8	7	9	8	10	9
16	2 Inch	26	28	24	25	27	28	26
17	6 Inch	2	2	2	2	2	2	2
18		35	38	33	36	37	40	37
19								
20	5/8 Inch	4	3	6	5	5	5	5
21	1 Inch	3	4	3	4	2	2	2
22	4 Inch	1	1	1	1	1	1	1
23		5	4	7	6	6	6	6
24								
25	2 Inch	9	9	8	9	9	8	8
26	6 Inch	1	1	2	1	1	1	1
27		10	10	10	10	10	9	9
28								
29								
30								
31	Totals	1,956	2,064	2,066	2,089	2,111	2,152	2,169
32								
33								

Farmers Water Co.  
Customer Count Summary  
Test Year Ended September 30, 2007

Exhibit  
Schedule H-2  
Page 3.1  
Witness: Bourassa

Line No.	Meter Size	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Change from Beginning of Year to Year End	Revenues Annualized
1								
2								
3								
4								
5	5/8 Inch	1,836	1,832	1,875	1,900	1,884	220	Yes
6	1 Inch	225	222	223	239	245	53	Yes
7	Residential Subtotal	2,061	2,054	2,098	2,139	2,129	273	
8								
9	5/8 Inch	18	18	18	18	18	-	Yes
10	1 Inch	7	9	9	10	10	3	Yes
11	1.5 Inch	9	7	9	8	7	-	Yes
12	2 Inch	17	16	17	17	17	1	Yes
13	3 Inch	2	2	2	2	2	-	No
14	Commercial Subtotal	53	52	55	55	54	4	
15								
16	1.5 Inch	7	9	9	10	10	3	Yes
17	2 Inch	27	27	28	28	28	2	Yes
18	6 Inch	2	2	2	2	2	-	No
19	Multi-Family Subtotal	36	38	39	40	40	5	
20								
21	5/8 Inch	3	6	5	4	5	1	Yes
22	1 Inch	2	2	1	2	2	(1)	Yes
23	4 Inch	1	1	1	1	1	-	No
24	Industrial Subtotal	4	7	6	5	6	1	
25								
26	2 Inch	8	7	6	7	7	(2)	Yes
27	6 Inch	1	1	1	1	1	-	Yes
28	Standpipe Subtotal	9	8	7	8	8	(2)	
29								
30								
31	Totals	2,163	2,159	2,205	2,247	2,237	281	
32								

Farmers Water Co.  
Gallons Sold Summary in 1,000's  
Test Year Ended September 30, 2007

Line No.	Meter Size	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07
1								
2								
3								
4	5/8 Inch	9,352	9,872	7,813	10,088	9,975	12,201	11,244
5	1 Inch	1,583	1,958	1,026	1,305	1,634	2,433	1,719
6		10,935	11,830	8,838	11,392	11,609	14,633	12,963
7	Subtotal							
8	Commercial	304	173	115	86	112	122	180
9	1 Inch	181	133	155	194	186	80	267
10	1.5 Inch	246	188	135	117	217	113	184
11	2 Inch	546	823	804	600	660	732	1,014
12	3 Inch	98	136	86	110	92	104	118
13	Subtotal	1,375	1,452	1,294	1,107	1,266	1,150	1,762
14								
15	Multi-Family	95	268	157	233	105	395	277
16	2 Inch	2,493	2,491	1,406	1,719	2,048	2,853	2,422
17	6 Inch	620	831	620	830	597	859	632
18	Subtotal	3,208	3,590	2,183	2,782	2,750	4,107	3,331
19								
20	Industrial	53	11	26	24	21	13	21
21	1 Inch	324	426	260	117	120	179	119
22	4 Inch	1,447	1,272	1,285	1,489	1,368	1,736	1,393
23	Subtotal	1,823	1,708	1,570	1,629	1,509	1,928	1,533
24								
25	Standpipe	2,555	2,298	381	263	130	969	21
26	6 Inch	17	155	133	28	95	101	142
27	Subtotal	2,572	2,453	514	291	225	1,070	162
28								
29								
30	Total	19,913	21,033	14,399	17,201	17,359	22,889	19,752
31								
32								

Farmers Water Co.  
Gallons Sold Summary in 1,000's  
Test Year Ended September 30, 2007

Line No.	Meter Size	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	of Total Water Usage
1								
2								
3								
4	5/8 Inch	12,122	15,075	10,088	9,966	10,387	128,183	54.21%
5	1 Inch	2,399	3,452	2,363	2,318	2,191	24,380	10.31%
6		14,520	18,527	12,452	12,284	12,578	152,563	64.52%
7								
8	5/8 Inch	191	218	261	202	184	2,146	0.91%
9	1 Inch	220	226	54	110	220	2,024	0.86%
10	1.5 Inch	142	219	109	137	98	1,902	0.80%
11	2 Inch	851	948	1,067	889	818	9,752	4.12%
12	3 Inch	39	66	95	94	106	1,143	0.48%
13		1,442	1,677	1,585	1,431	1,426	16,966	7.18%
14								
15	1.5 Inch	321	349	394	309	431	3,332	1.41%
16	2 Inch	2,889	3,772	2,595	2,377	2,246	29,311	12.40%
17	6 Inch	551	640	725	586	586	8,076	3.42%
18		3,761	4,760	3,714	3,271	3,263	40,720	17.22%
19								
20	5/8 Inch	7	39	46	25	21	304	0.13%
21	1 Inch	181	298	145	110	110	2,387	1.01%
22	4 Inch	1,460	812	1,356	1,112	965	15,694	6.64%
23		1,647	1,149	1,546	1,246	1,096	18,385	7.78%
24								
25	2 Inch	26	29	20	20	25	6,735	0.00%
26	6 Inch	189	33	95	45	45	1,077	0.00%
27		215	61	115	65	70	7,812	3.30%
28								
29								
30		21,586	26,175	19,411	18,297	18,433	236,446	100.00%
31								
32								





Farmers Water Co.  
Gallons Sold Summary in 1,000's  
Test Year Ended September 30, 2007  
Gallons From Annualization

Line No.	Meter Size	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	of Total Water Usage
1								
2								
3								
4	5/8 Inch	317	428	48	(84)	-	5,047	2.13%
5	1 Inch	213	358	233	58	-	2,798	1.18%
6		530	786	282	(26)	-	7,845	#REF!
7	Subtotal							
8	Commercial	-	-	-	-	-	7	0.00%
9	1 Inch	-	-	-	-	-	23	0.01%
10	1.5 Inch	(32)	-	(24)	(17)	-	(219)	-0.09%
11	2 Inch	-	59	-	-	-	93	0.04%
12	3 Inch	-	-	-	-	-	-	0.00%
13	Commercial	(32)	59	(24)	(17)	-	(97)	-0.04%
14	Subtotal							
15	Multi-Family	137	39	44	-	-	478	0.20%
16	2 Inch	107	140	-	-	-	1,141	0.48%
17	6 Inch	-	-	-	-	-	-	0.00%
18	Multi-Family	244	178	44	-	-	1,619	0.68%
19	Subtotal							
20	Industrial	4	(7)	-	6	-	20	0.01%
21	1 Inch	-	-	145	-	-	(321)	-0.14%
22	4 Inch	-	-	-	-	-	-	0.00%
23	Industrial	4	(7)	145	6	-	(302)	-0.13%
24	Subtotal							
25	Standpipe	(3)	-	3	-	-	(1,337)	-0.57%
26	6 Inch	(3)	-	3	-	-	(1,337)	-0.57%
27	Standpipe	(6)	-	7	-	-	(2,674)	-1.13%
28	Subtotal							
29								
30	Subtotal Gallons From Re	741	1,017	452	(37)	-	6,392	2.70%
31								

Exhibit  
Schedule H-3  
Page 1  
Witness: Bourassa

Line No.	Monthly Usage Charge for: <u>Meter Size (All Zones and Classes):</u>	Present <u>Rates</u>	Proposed <u>Rates</u>	Change	Percent Change
1	5/8 Inch	\$	6.50	8.26	1.76
2	3/4 Inch		6.50	8.26	1.76
3	1 Inch		9.00	10.32	1.32
4	1 1/2 Inch		13.00	20.64	7.64
5	2 Inch		19.50	33.02	13.52
6	3 Inch		25.00	66.04	41.04
7	4 Inch		32.00	103.19	71.19
8	6 Inch		40.00	206.38	166.38
9	8 Inch				
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					

Farmers Water Co.  
Test Year Ended September 30, 2007  
Present and Proposed Rates

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3				
4				
5	5/8 Inch Meter Commercial, Industrial	0 gallons to 10,000 gallons over 10,000 gallons	N/A N/A	1.94 2.51
6				
7				
8	3/4 Inch Meter Commercial, Industrial	0 gallons to 10,000 gallons over 10,000 gallons	N/A N/A	1.94 2.51
9				
10				
11	1 Inch Meter Residential, Commercial, Industrial	0 gallons to 12,500 gallons over 12,500 gallons	N/A N/A	1.94 2.51
12				
13				
14	1.5 Inch Meter Residential, Commercial, Industrial	0 gallons to 25,000 gallons over 25,000 gallons	N/A N/A	1.94 2.51
15				
16				
17	2 Inch Meter Residential, Commercial, Industrial	0 gallons to 40,000 gallons over 40,000 gallons	N/A N/A	1.94 2.51
18				
19				
20	3 Inch Meter Residential, Commercial, Industrial	0 gallons to 80,000 gallons over 80,000 gallons	N/A N/A	1.94 2.51
21				
22				
23	4 Inch Meter Residential, Commercial, Industrial	0 gallons to 125,000 gallons over 125,000 gallons	N/A N/A	1.94 2.51
24				
25				
26	6 Inch Meter Residential, Commercial, Industrial	0 gallons to 250,000 gallons over 250,000 gallons	N/A N/A	1.94 2.51
27				
28				
29				
30				
31				
32				
33	Standpipe (Bulk)	All gallons	\$ 1.25	\$ 2.51
34				
35				

**Farmers Water Co.**  
**Changes in Representative Rate Schedules**  
**Test Year Ended September 30, 2007**

Exhibit  
Schedule H- 3  
Page 3  
Witness: Bourassa

Line		Present	Proposed
No.	<u>Other Service Charges</u>	<u>Rates</u>	<u>Rates</u>
1	Establishment	\$ 25.00	\$ 35.00
2	Establishment (After Hours)	\$ 25.00	\$ 50.00
3	Reconnection (Delinquent)	\$ 25.00	\$ 40.00
4	Reconnection (Delinquent and After Hours)	N/T	\$ 55.00
5	Meter Test (If meter reading correctly)	\$ 25.00	\$ 25.00
6	Hydrant Meter Deposit (refundable)	N/T	\$ 150.00
7	Deposit	*	*
8	Deposit Interest	*	*
9	Re-Establishment (With-in 12 Months)	**	**
10	NSF Check	\$ 20.00	\$ 20.00
11	Deferred Payment, Per Month	N/T	1.50%
12	Meter Re-Read (if correct)	\$ 20.00	\$ 20.00
13	After hours service charge, per Rule R14-2-403D	N/T	Cost
14	Late Charge per month	N/T	1.50%
15	Meter Tampering Charge	N/T	Cost
16	Meter Box "Cut Lock" Charge	N/T	Cost
17	Meter Box Re-inspection	N/T	\$ 50.00
18			
19			
20			
21			
22	* PER COMMISSION RULE (R14-2-403.B)		
23	** Months off system times the minimum. PER COMMISSION RULE (R14-2-403.D)		
24			
25	N/T = No tariff.		
26			
27			
28	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
29	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
30	TAX. PER COMMISSION RULE (14-2-409.D 5).		
31	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
32	AND ALL APPLICABLE TAXES.		
33			
34			
35			

**Farmers Water Co.**  
Changes in Representative Rate Schedules  
Impact of Change in Tariff  
Test Year Ended September 30, 2007

Exhibit  
Schedule H-3  
Page 3.1  
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates	Increase in Charge	Number of Occurrences (a)	Increase Revenues
1	Establishment	\$ 25.00	\$ 35.00	\$ 10.00	281	\$ 2,810
2	Establishment (After Hours)	\$ 25.00	\$ 50.00	\$ 25.00	6	150
3	Reconnection (Delinquent)	\$ 25.00	\$ 40.00	\$ 15.00	25	375
4	Reconnection (Delinquent and After Hours)	N/T	\$ 55.00	\$ 50.00	4	200
5	NSF Check	\$ 20.00	\$ 25.00	\$ 5.00	2	10
6	Meter Box Re-inspection	N/T	\$ 50.00	\$ 50.00	15	750
7	Totals					<u>\$ 4,295</u>
8						
9						
10	Reconciliation of Other Service Charges					
11	Establishment	\$ 25.00	281	\$ 7,025	\$ 2,810	\$ 9,835.00
12	Establishment (After Hours)	\$ 25.00	6	150	150	300
13	Reconnection (Delinquent)	\$ 25.00	25	625	375	1,000
14	Reconnection (Delinquent and After Hours)	N/T	4	-	200	200
15	NSF Check	\$ 20.00	2	40	10	50
16	NSF Check	N/T	15	-	750	750
17	Totals			\$ 7,840	\$ 4,295	\$ 12,135
18						
19	Misc. Service Revenues Recorded During Test Year			\$ 7,790		
20						
21	Difference			\$ 50		
22						
23	(a) Estimates of Occurrences during the test year					
24						

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Service Charges**  
**Meter and Service Line Charges**

Exhibit  
Schedule H-3  
Page 4  
Witness: Bourassa

Line No.		Total Present Charge	Proposed Service Line Charge*	Proposed Meter Install- ation Charge*	Total Proposed Charge*
1					
2					
3					
4					
5					
6	5/8 x 3/4 Inch	\$ 415.00	\$ 385.00	\$ 135.00	\$ 520.00
7	3/4 Inch	455.00	415.00	205.00	620.00
8	1 Inch	540.00	465.00	265.00	730.00
9	1 1/2 Inch	780.00	520.00	475.00	995.00
10	2 Inch	1,380.00	N/A	N/A	N/A
11	2 Inch / Turbine	N/A	800.00	995.00	1,795.00
12	2 Inch / Compound	N/A	800.00	1,840.00	2,640.00
13	3 Inch	1,935.00	N/A	N/A	N/A
14	3 Inch / Turbine	N/A	1,015.00	1,620.00	2,635.00
15	3 Inch / Compound	N/A	1,135.00	2,495.00	3,630.00
16	4 Inch	3,030.00	N/A	N/A	N/A
17	4 Inch / Turbine	N/A	1,430.00	2,570.00	4,000.00
18	4 Inch / Compound	N/A	1,610.00	3,545.00	5,155.00
19	6 Inch	5,535.00	N/A	N/A	N/A
20	6 Inch / Turbine	N/A	2,150.00	4,925.00	7,075.00
21	6 Inch / Compound	N/A	2,270.00	6,820.00	9,090.00
22	8 Inch	At Cost	At Cost	At Cost	At Cost
23	10 Inch	At Cost	At Cost	At Cost	At Cost
24	12 Inch	At Cost	At Cost	At Cost	At Cost
25					
26	*Based on Staff update of typical service line and meter installation charges dated				
27	February 21, 2008.				
28					

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**5/8 Inch Residential**

Exhibit  
Schedule H-4  
Page 1  
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase				
1									
2									
3		\$ 6.50	\$ 8.26	\$ 1.76	27.00%				
4	1,000	7.75	9.71	1.96	25.23%				
5	2,000	9.00	11.16	2.16	23.94%				
6	3,000	10.25	12.61	2.36	22.98%				
7	4,000	11.50	14.06	2.56	22.22%				
8	5,000	12.75	16.00	3.25	25.47%				
9	6,000	14.20	17.94	3.74	26.33%				
10	7,000	15.65	19.88	4.23	27.03%				
11	8,000	17.10	21.82	4.72	27.62%				
12	9,000	18.55	23.76	5.21	28.11%				
13	10,000	20.00	25.71	5.71	28.53%				
14	12,000	23.30	30.73	7.43	31.87%				
15	14,000	26.60	35.75	9.15	34.38%				
16	16,000	29.90	40.77	10.87	36.34%				
17	18,000	33.20	45.79	12.59	37.91%				
18	20,000	36.50	50.81	14.31	39.19%				
19	25,000	44.75	63.35	18.60	41.57%				
20	30,000	53.00	75.90	22.90	43.21%				
21	35,000	61.25	88.45	27.20	44.41%				
22	40,000	69.50	101.00	31.50	45.33%				
23	50,000	86.00	126.10	40.10	46.63%				
24	60,000	102.50	151.20	48.70	47.51%				
25	70,000	119.00	176.30	57.30	48.15%				
26	80,000	135.50	201.40	65.90	48.63%				
27	90,000	152.00	226.49	74.49	49.01%				
28	100,000	168.50	251.59	83.09	49.31%				
29									
30									
31	Average Usage	14.05	\$ 17.74	\$ 3.69	26.25%				
32	5,898	\$							
33	Median Usage	10.88	\$ 13.33	\$ 2.46	22.57%				
34	3,500	\$							

<b>Present Rates:</b>					
Monthly Minimum:					
Gallons in Minimum					
Charge Per 1,000 Gallons					
Over 0	Up To	5,000	\$	6.50	
Over 5,000	Up To	10,000	\$	-	
Over 10,000			\$	1.25	
			\$	1.45	
			\$	1.65	

<b>Proposed Rates:</b>					
Monthly Minimum:					
Gallons in Minimum					
Charge Per 1,000 Gallons					
Over -	Up To	4,000	\$	8.26	
Over 4,000	Up To	10,000	\$	-	
Over 10,000			\$	1.45	
			\$	1.94	
			\$	2.51	



**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
 Meter Size: 5/8 Inch Commercial

Exhibit  
 Schedule H-4  
 Page 2  
 Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2					
3	\$ -	6.50	\$ 8.26	\$ 1.76	27.00%
4	1,000	7.75	\$ 10.20	2.45	31.57%
5	2,000	9.00	12.14	3.14	34.88%
6	3,000	10.25	14.08	3.83	37.38%
7	4,000	11.50	16.02	4.52	39.33%
8	5,000	12.75	17.96	5.21	40.90%
9	6,000	14.20	19.91	5.71	40.19%
10	7,000	15.65	21.85	6.20	39.61%
11	8,000	17.10	23.79	6.69	39.13%
12	9,000	18.55	25.73	7.18	38.72%
13	10,000	20.00	27.67	7.67	38.37%
14	12,000	23.30	32.69	9.39	40.32%
15	14,000	26.60	37.71	11.11	41.78%
16	16,000	29.90	42.73	12.83	42.92%
17	18,000	33.20	47.75	14.55	43.84%
18	20,000	36.50	52.77	16.27	44.58%
19	25,000	44.75	65.32	20.57	45.97%
20	30,000	53.00	77.87	24.87	46.93%
21	35,000	61.25	90.42	29.17	47.63%
22	40,000	69.50	102.97	33.47	48.16%
23	50,000	86.00	128.07	42.07	48.92%
24	60,000	102.50	153.17	50.67	49.43%
25	70,000	119.00	178.27	59.27	49.80%
26	80,000	135.50	203.36	67.86	50.08%
27	90,000	152.00	228.46	76.46	50.30%
28	100,000	168.50	253.56	85.06	50.48%
29					
30					
31	Average Usage				
32	9,980	\$ 19.97	\$ 27.64	\$ 7.67	38.38%
33	Median Usage				
34	3,500	\$ 10.88	\$ 15.05	\$ 4.18	38.41%

<b>Present Rates:</b>	
Monthly Minimum:	
Gallons in Minimum	
Charge Per 1,000 Gallons	
Over 0	Up To 5,000
Over 5,000	Up To 10,000
Over 10,000	
	\$ 6.50
	\$ -
	\$ 1.25
	\$ 1.45
	\$ 1.65
<b>Proposed Rates:</b>	
Monthly Minimum:	
Gallons in Minimum	
Charge Per 1,000 Gallons	
Over -	Up To 10,000
Over 10,000	
	\$ 8.26
	\$ -
	\$ 1.94
	\$ 2.51

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**5/8 Inch Industrial**

Exhibit  
Schedule H-4  
Page 3  
Witness: Bourassa

Meter Size:

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase				
1									
2		\$	\$ 8.26	\$ 1.76	27.00%				
3	-								
4	1,000	7.75	10.20	2.45	31.57%				
5	2,000	9.00	12.14	3.14	34.88%				
6	3,000	10.25	14.08	3.83	37.38%				
7	4,000	11.50	16.02	4.52	39.33%				
8	5,000	12.75	17.96	5.21	40.90%				
9	6,000	14.20	19.91	5.71	40.19%				
10	7,000	15.65	21.85	6.20	39.61%				
11	8,000	17.10	23.79	6.69	39.13%				
12	9,000	18.55	25.73	7.18	38.72%				
13	10,000	20.00	27.67	7.67	38.37%				
14	12,000	23.30	32.69	9.39	40.32%				
15	14,000	26.60	37.71	11.11	41.78%				
16	16,000	29.90	42.73	12.83	42.92%				
17	18,000	33.20	47.75	14.55	43.84%				
18	20,000	36.50	52.77	16.27	44.58%				
19	25,000	44.75	65.32	20.57	45.97%				
20	30,000	53.00	77.87	24.87	46.93%				
21	35,000	61.25	90.42	29.17	47.63%				
22	40,000	69.50	102.97	33.47	48.16%				
23	50,000	86.00	128.07	42.07	48.92%				
24	60,000	102.50	153.17	50.67	49.43%				
25	70,000	119.00	178.27	59.27	49.80%				
26	80,000	135.50	203.36	67.86	50.08%				
27	90,000	152.00	228.46	76.46	50.30%				
28	100,000	168.50	253.56	85.06	50.48%				
29									
30									
31	Average Usage								
32	5,429	\$	\$ 18.80	\$ 5.43	40.58%				
33	Median Usage								
34	500	\$	\$ 9.23	\$ 2.10	29.49%				

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over 0 Up To 5,000 \$ 1.25  
Over 5,000 Up To 10,000 \$ 1.45  
Over 10,000 \$ 1.65

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 10,000 \$ 1.94  
Over 10,000 \$ 2.51

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**Meter Size: 1 Inch Residential**

Exhibit  
Schedule H-4  
Page 4  
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
1		\$ 9.00	\$ 10.32	\$ 1.32	14.65%	
2		10.25	12.26	2.01	19.62%	
3		11.50	14.20	2.70	23.50%	
4	1,000	12.75	16.14	3.39	26.63%	
5	2,000	14.00	18.09	4.09	29.19%	
6	3,000	15.25	20.03	4.78	31.34%	
7	4,000	16.70	21.97	5.27	31.56%	
8	5,000	18.15	23.91	5.76	31.75%	
9	6,000	19.60	25.85	6.25	31.91%	
10	7,000	21.05	27.80	6.75	32.05%	
11	8,000	22.50	29.74	7.24	32.17%	
12	9,000	25.80	33.62	7.82	30.32%	
13	10,000	29.10	38.36	9.26	31.82%	
14	12,000	32.40	43.38	10.98	33.88%	
15	14,000	35.70	48.40	12.70	35.57%	
16	16,000	39.00	53.42	14.42	36.97%	
17	18,000	47.25	65.97	18.72	39.61%	
18	20,000	55.50	78.52	23.02	41.47%	
19	25,000	63.75	91.07	27.32	42.85%	
20	30,000	72.00	103.61	31.61	43.91%	
21	35,000	88.50	128.71	40.21	45.44%	
22	40,000	105.00	153.81	48.81	46.49%	
23	50,000	121.50	178.91	57.41	47.25%	
24	60,000	138.00	204.01	66.01	47.83%	
25	70,000	154.50	229.11	74.61	48.29%	
26	80,000	171.00	254.21	83.20	48.66%	
27	90,000					
28	100,000					
29						
30						
31	Average Usage	21.51	\$ 28.41	\$ 6.90	32.09%	
32	9,316					
33	Median Usage	14.63	\$ 19.06	\$ 4.43	30.31%	
34	4,500					

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To \$ 9.00  
Over 5,000 Up To \$ 1.25  
Over 10,000 Up To \$ 1.45  
Over 10,000 \$ 1.65

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To \$ 10.32  
Over 12,500 Up To \$ 1.94  
Over 12,500 \$ 2.51

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**1 Inch Commercial**

Exhibit  
Schedule H-4  
Page 5  
Witness: Bourassa

Meter Size:

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
1						
2						
3	\$ -	9.00	\$ 10.32	\$ 1.32	14.65%	
4	1,000	10.25	12.26	2.01	19.62%	
5	2,000	11.50	14.20	2.70	23.50%	
6	3,000	12.75	16.14	3.39	26.63%	
7	4,000	14.00	18.09	4.09	29.19%	
8	5,000	15.25	20.03	4.78	31.34%	
9	6,000	16.70	21.97	5.27	31.56%	
10	7,000	18.15	23.91	5.76	31.75%	
11	8,000	19.60	25.85	6.25	31.91%	
12	9,000	21.05	27.80	6.75	32.05%	
13	10,000	22.50	29.74	7.24	32.17%	
14	12,000	25.80	33.62	7.82	30.32%	
15	14,000	29.10	38.36	9.26	31.82%	
16	16,000	32.40	43.38	10.98	33.88%	
17	18,000	35.70	48.40	12.70	35.57%	
18	20,000	39.00	53.42	14.42	36.97%	
19	25,000	47.25	65.97	18.72	39.61%	
20	30,000	55.50	78.52	23.02	41.47%	
21	35,000	63.75	91.07	27.32	42.85%	
22	40,000	72.00	103.61	31.61	43.91%	
23	50,000	88.50	128.71	40.21	45.44%	
24	60,000	105.00	153.81	48.81	46.49%	
25	70,000	121.50	178.91	57.41	47.25%	
26	80,000	138.00	204.01	66.01	47.83%	
27	90,000	154.50	229.11	74.61	48.29%	
28	100,000	171.00	254.21	83.20	48.66%	
29						
30						
31	Average Usage					
32	19,090	\$ 37.50	\$ 51.13	\$ 13.64	36.36%	
33	Median Usage					
34	11,000	\$ 24.15	\$ 31.68	\$ 7.53	31.18%	

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To  
Over 5,000 Up To  
Over 10,000

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To  
Over 12,500

\$ 9.00  
-  
\$ 1.25  
\$ 1.45  
\$ 1.65

\$ 10.32  
-  
\$ 1.94  
\$ 2.51

Exhibit  
Schedule H-4  
Page 6  
Witness: Bourassa

## 1 Inch Industrial

<b>Present Rates:</b>			
Monthly Minimum:			\$ 9.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Over -	Up To	5,000	\$ 1.25
Over	5,000	10,000	\$ 1.45
Over	10,000		\$ 1.65
<b>Proposed Rates:</b>			
Monthly Minimum:			\$ 10.32
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Over -	Up To	12,500	\$ 1.94
Over	12,500		\$ 2.51

Farmers Water Co.  
Bill Comparison Present and Proposed Rates  
1.5 Inch Multi-Family  
Meter Size:

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
1						
2						
3		\$ 13.00	\$ 20.64	\$ 7.64	58.75%	
4	1,000	14.25	22.58	8.33	58.45%	\$13.00
5	2,000	15.50	24.52	9.02	58.20%	-
6	3,000	16.75	26.46	9.71	57.99%	
7	4,000	18.00	28.41	10.41	57.81%	
8	5,000	19.25	30.35	11.10	57.65%	5,000 \$ 1.25
9	6,000	20.70	32.29	11.59	55.99%	10,000 \$ 1.45
10	7,000	22.15	34.23	12.08	54.54%	Over 10,000 \$ 1.65
11	8,000	23.60	36.17	12.57	53.28%	
12	9,000	25.05	38.12	13.07	52.16%	
13	10,000	26.50	40.06	13.56	51.16%	
14	12,000	29.80	43.94	14.14	47.45%	
15	14,000	33.10	47.83	14.73	44.49%	
16	16,000	36.40	51.71	15.31	42.06%	\$20.64
17	18,000	39.70	55.59	15.89	40.03%	-
18	20,000	43.00	59.48	16.48	38.32%	
19	25,000	51.25	69.19	17.94	35.00%	25,000 \$ 1.94
20	30,000	59.50	81.74	22.24	37.37%	\$ 2.51
21	35,000	67.75	94.29	26.54	39.17%	
22	40,000	76.00	106.83	30.83	40.57%	
23	50,000	92.50	131.93	39.43	42.63%	
24	60,000	109.00	157.03	48.03	44.07%	
25	70,000	125.50	182.13	56.63	45.12%	
26	80,000	142.00	207.23	65.23	45.94%	
27	90,000	158.50	232.33	73.83	46.58%	
28	100,000	175.00	257.43	82.43	47.10%	
29						
30						
31	Average Usage					
32	32,354	\$ 63.38	\$ 87.64	\$ 24.26	38.28%	
33	Median Usage					
34	22,500	\$ 47.13	\$ 64.33	\$ 17.21	36.51%	

Proposed Rates:  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To  
Over 5,000 Up To  
Over 10,000

**Bill Comparison Present and Proposed Rates**  
**Meter Size: 1.5 Inch Commercial**

<b>Present Rates:</b>		
Monthly Minimum:		\$ 13.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Over - Up To	5,000	\$ 1.25
Over 5,000 Up To	10,000	\$ 1.45
Over 10,000		\$ 1.65

<b>Proposed Rates:</b>		
Monthly Minimum:		\$ 20.64
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Over - Up To	25,000	\$ 1.94
Over 25,000		\$ 2.51

Line	No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1		\$	13.00	\$ 20.64	\$ 7.64	58.75%
2		-	14.25	22.58	8.33	58.45%
3		1,000	15.50	24.52	9.02	58.20%
4		2,000	16.75	26.46	9.71	57.99%
5		3,000	18.00	28.41	10.41	57.81%
6		4,000	19.25	30.35	11.10	57.65%
7		5,000	20.70	32.29	11.59	55.99%
8		6,000	22.15	34.23	12.08	54.54%
9		7,000	23.60	36.17	12.57	53.28%
10		8,000	25.05	38.12	13.07	52.16%
11		9,000	26.50	40.06	13.56	51.16%
12		10,000	29.80	43.94	14.14	47.45%
13		12,000	33.10	47.83	14.73	44.49%
14		14,000	36.40	51.71	15.31	42.06%
15		16,000	39.70	55.59	15.89	40.03%
16		18,000	43.00	59.48	16.48	38.32%
17		20,000	51.25	69.19	17.94	35.00%
18		25,000	59.50	81.74	22.24	37.37%
19		30,000	67.75	94.29	26.54	39.17%
20		35,000	76.00	106.83	30.83	40.57%
21		40,000	92.50	131.93	39.43	42.63%
22		50,000	109.00	157.03	48.03	44.07%
23		60,000	125.50	182.13	56.63	45.12%
24		70,000	142.00	207.23	65.23	45.94%
25		80,000	158.50	232.33	73.83	46.58%
26		90,000	175.00	257.43	82.43	47.10%
27		100,000				
28						
29						
30						
31		Average Usage				
32		19,609	\$ 42.35	\$ 58.72	\$ 16.36	38.63%
33		Median Usage				
34		17,000	\$ 38.05	\$ 53.65	\$ 15.60	41.00%

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**Meter Size: 2 Inch Multi-Family**

Exhibit  
Schedule H-4  
Page 9  
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
1						
2		\$ 19.50	\$ 33.02	\$ 13.52	69.33%	
3	-	20.75	34.96	14.21	68.49%	
4	1,000	22.00	36.90	14.90	67.75%	
5	2,000	23.25	38.85	15.60	67.08%	
6	3,000	24.50	40.79	16.29	66.48%	
7	4,000	25.75	42.73	16.98	65.94%	
8	5,000	27.20	44.67	17.47	64.23%	
9	6,000	28.65	46.61	17.96	62.70%	
10	7,000	30.10	48.56	18.46	61.32%	
11	8,000	31.55	50.50	18.95	60.06%	
12	9,000	33.00	52.44	19.44	58.91%	
13	10,000	36.30	56.32	20.02	55.16%	
14	12,000	39.60	60.21	20.61	52.04%	
15	14,000	42.90	64.09	21.19	49.40%	
16	16,000	46.20	67.98	21.78	47.13%	
17	18,000	49.50	71.86	22.36	45.17%	
18	20,000	57.75	81.57	23.82	41.25%	
19	25,000	66.00	91.28	25.28	38.30%	
20	30,000	74.25	100.99	26.74	36.01%	
21	35,000	82.50	110.70	28.20	34.18%	
22	40,000	99.00	135.80	36.80	37.17%	
23	50,000	115.50	160.90	45.40	39.30%	
24	60,000	132.00	185.99	53.99	40.91%	
25	70,000	148.50	211.09	62.59	42.15%	
26	80,000	165.00	236.19	71.19	43.15%	
27	90,000	181.50	261.29	79.79	43.96%	
28	100,000					
29						
30						
31	Average Usage					
32	91,028	\$ 166.70	\$ 238.77	72.08	43.24%	
33	Median Usage					
34	65,000	\$ 123.75	\$ 173.45	\$ 49.70	40.16%	

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To  
Over 5,000 Up To  
Over 10,000

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To  
Over 40,000

\$19.50  
-  
\$ 1.25  
\$ 1.45  
\$ 1.65

\$33.02  
-  
\$ 1.94  
\$ 2.51



Farmers Water Co.  
Bill Comparison Present and Proposed Rates  
Meter Size: 2 Inch Commercial

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2					
3		\$ 19.50	\$ 33.02	\$ 13.52	69.33%
4	1,000	20.75	34.96	14.21	68.49%
5	2,000	22.00	36.90	14.90	67.76%
6	3,000	23.25	38.85	15.60	67.08%
7	4,000	24.50	40.79	16.29	66.48%
8	5,000	25.75	42.73	16.98	65.94%
9	6,000	27.20	44.67	17.47	64.23%
10	7,000	28.65	46.61	17.96	62.70%
11	8,000	30.10	48.56	18.46	61.32%
12	9,000	31.55	50.50	18.95	60.06%
13	10,000	33.00	52.44	19.44	58.91%
14	12,000	36.30	56.32	20.02	55.16%
15	14,000	39.60	60.21	20.61	52.04%
16	16,000	42.90	64.09	21.19	49.40%
17	18,000	46.20	67.98	21.78	47.13%
18	20,000	49.50	71.86	22.36	45.17%
19	25,000	57.75	81.57	23.82	41.25%
20	30,000	66.00	91.28	25.28	38.30%
21	35,000	74.25	100.99	26.74	36.01%
22	40,000	82.50	110.70	28.20	34.18%
23	50,000	99.00	135.80	36.80	37.17%
24	60,000	115.50	160.90	45.40	39.30%
25	70,000	132.00	185.99	53.99	40.91%
26	80,000	148.50	211.09	62.59	42.15%
27	90,000	165.00	236.19	71.19	43.15%
28	100,000	181.50	261.29	79.79	43.96%
29					
30					
31	Average Usage				
32	48,277	\$ 96.16	\$ 131.47	\$ 35.32	36.73%
33	Median Usage				
34	32,500	\$ 70.13	\$ 96.13	\$ 26.01	37.09%

Present Rates:  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 5,000 \$ 1.25  
Over 5,000 Up To 10,000 \$ 1.45  
Over 10,000 \$ 1.65

Proposed Rates:  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 40,000 \$ 1.94  
Over 40,000 \$ 2.51

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**Meter Size: 3 Inch Commercial**

Exhibit  
Schedule H-4  
Page 11  
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2					
3		\$ 25.00	\$ 66.04	\$ 41.04	164.16%
4	1,000	26.25	67.98	41.73	158.98%
5	2,000	27.50	69.92	42.42	154.27%
6	3,000	28.75	71.87	43.12	149.97%
7	4,000	30.00	73.81	43.81	146.03%
8	5,000	31.25	75.75	44.50	142.40%
9	6,000	32.70	77.69	44.99	137.59%
10	7,000	34.15	79.63	45.48	133.19%
11	8,000	35.60	81.58	45.98	129.15%
12	9,000	37.05	83.52	46.47	125.42%
13	10,000	38.50	85.46	46.96	121.97%
14	12,000	41.80	89.34	47.54	113.74%
15	14,000	45.10	93.23	48.13	106.71%
16	16,000	48.40	97.11	48.71	100.64%
17	18,000	51.70	101.00	49.30	95.35%
18	20,000	55.00	104.88	49.88	90.69%
19	25,000	63.25	114.59	51.34	81.17%
20	30,000	71.50	124.30	52.80	73.85%
21	35,000	79.75	134.01	54.26	68.04%
22	40,000	88.00	143.72	55.72	63.32%
23	50,000	104.50	163.14	58.64	56.11%
24	60,000	121.00	182.56	61.56	50.89%
25	70,000	137.50	201.98	64.48	46.89%
26	80,000	154.00	221.40	67.40	43.77%
27	90,000	170.50	246.50	76.00	44.57%
28	100,000	187.00	271.60	84.60	45.24%
29					
30					
31	Average Usage				
32	47,630	\$ 100.59	\$ 158.54	\$ 57.95	57.61%
33	Median Usage				
34	25,000	\$ 63.25	\$ 114.59	\$ 51.34	81.17%

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To \$ 25.00  
Over 5,000 Up To -  
Over 10,000 5,000 \$ 1.25  
10,000 \$ 1.45  
Over 10,000 \$ 1.65

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To \$ 66.04  
Over 80,000 -  
Over 80,000 80,000 \$ 1.94  
80,000 \$ 2.51

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
**4 Inch Industrial**

Exhibit  
Schedule H-4  
Page 12  
Witness: Bourassa

Meter Size:

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
1		\$ 32.00	\$ 103.19	\$ 71.19	222.46%	
2		33.25	105.13	71.88	216.18%	
3	1,000	34.50	107.07	72.57	210.35%	
4	2,000	35.75	109.01	73.26	204.93%	\$ 32.00
5	3,000	37.00	110.96	73.96	199.88%	
6	4,000	38.25	112.90	74.65	195.16%	
7	5,000	39.70	114.84	75.14	189.27%	
8	6,000	41.15	116.78	75.63	183.79%	
9	7,000	42.60	118.72	76.12	178.69%	
10	8,000	44.05	120.67	76.62	173.93%	
11	9,000	45.50	122.61	77.11	169.47%	
12	10,000	48.80	126.49	77.69	159.20%	
13	12,000	52.10	130.38	78.28	150.24%	\$ 103.19
14	14,000	55.40	134.26	78.86	142.35%	
15	16,000	58.70	138.14	79.44	135.34%	
16	18,000	62.00	142.03	80.03	129.08%	
17	20,000	70.25	151.74	81.49	116.00%	
18	25,000	78.50	161.45	82.95	105.67%	
19	30,000	86.75	171.16	84.41	97.30%	
20	35,000	95.00	180.87	85.87	90.39%	
21	40,000	111.50	200.29	88.79	79.63%	
22	50,000	128.00	219.71	91.71	71.65%	
23	60,000	144.50	239.13	94.63	65.49%	
24	70,000	161.00	258.55	97.55	60.59%	
25	80,000	177.50	277.97	100.47	56.60%	
26	90,000	194.00	297.39	103.39	53.29%	
27	100,000					
28						
29						
30						
31	Average Usage	\$ 2,186.91	\$ 3,314.64	\$ 1,127.73	51.57%	
32	1,307,825					
33	Median Usage	\$ 22,502.00	\$ 34,216.29	\$ 11,714.29	52.06%	
34	13,620,000					

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 5,000 \$ 1.25  
Over 5,000 Up To 10,000 \$ 1.45  
Over 10,000 \$ 1.65

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 125,000 \$ 1.94  
Over 125,000 \$ 2.51

**Farmers Water Co.**  
**Bill Comparison Present and Proposed Rates**  
Meter Size: 6 Inch - Multi-Family

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1		\$ 40.00	\$ 206.38	\$ 166.38	415.94%
2	1,000	41.25	208.32	167.07	405.01%
3	2,000	42.50	210.26	167.76	394.73%
4	3,000	43.75	212.20	168.45	385.03%
5	4,000	45.00	214.14	169.14	375.87%
6	5,000	46.25	216.08	169.83	367.21%
7	6,000	47.70	218.03	170.33	357.08%
8	7,000	49.15	219.97	170.82	347.55%
9	8,000	50.60	221.91	171.31	338.56%
10	9,000	52.05	223.85	171.80	330.07%
11	10,000	53.50	225.79	172.29	322.05%
12	12,000	56.80	229.68	172.88	304.36%
13	14,000	60.10	233.56	173.46	288.62%
14	16,000	63.40	237.45	174.05	274.52%
15	18,000	66.70	241.33	174.63	261.82%
16	20,000	70.00	245.21	175.21	250.31%
17	25,000	78.25	254.92	176.67	225.78%
18	30,000	86.50	264.63	178.13	205.94%
19	35,000	94.75	274.34	179.59	189.55%
20	40,000	103.00	284.05	181.05	175.78%
21	50,000	119.50	303.47	183.97	153.95%
22	60,000	136.00	322.89	186.89	137.42%
23	70,000	152.50	342.31	189.81	124.47%
24	80,000	169.00	361.73	192.73	114.04%
25	90,000	185.50	381.15	195.65	105.47%
26	100,000	202.00	400.57	198.57	98.30%
27					
28					
29					
30					
31	Average Usage				
32	336,520	\$ 592.26	\$ 909.02	\$ 316.76	53.48%
33	Median Usage				
34	343,440	\$ 603.68	\$ 926.39	\$ 322.72	53.46%

**Present Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 5,000 \$ 1.25  
Over 5,000 Up To 10,000 \$ 1.45  
Over 10,000 \$ 1.65

**Proposed Rates:**  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over - Up To 250,000 \$ 1.94  
Over 250,000 \$ 2.51

Exhibit  
Schedule H-4  
Page 14  
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	-	\$ 19.50	\$ 33.02	\$ 13.52	69.33%
2	1,000	20.75	35.53	14.78	71.23%
3	2,000	22.00	38.04	16.04	72.91%
4	3,000	23.25	40.55	17.30	74.41%
5	4,000	24.50	43.06	18.56	75.75%
6	5,000	25.75	45.57	19.82	76.97%
7	6,000	27.00	48.08	21.08	78.07%
8	7,000	28.25	50.59	22.34	79.08%
9	8,000	29.50	53.10	23.60	80.00%
10	9,000	30.75	55.61	24.86	80.84%
11	10,000	32.00	58.12	26.12	81.62%
12	12,000	34.50	63.14	28.64	83.01%
13	14,000	37.00	68.16	31.16	84.21%
14	16,000	39.50	73.18	33.68	85.26%
15	18,000	42.00	78.20	36.20	86.18%
16	20,000	44.50	83.22	38.72	87.00%
17	25,000	50.75	95.77	45.02	88.70%
18	30,000	57.00	108.32	51.32	90.03%
19	35,000	63.25	120.86	57.61	91.09%
20	40,000	69.50	133.41	63.91	91.96%
21	50,000	82.00	158.51	76.51	93.31%
22	60,000	94.50	183.61	89.11	94.30%
23	70,000	107.00	208.71	101.71	95.06%
24	80,000	119.50	233.81	114.31	95.65%
25	90,000	132.00	258.91	126.91	96.14%
26	100,000	144.50	284.00	139.50	96.54%
27					
28					
29					
30					
31	Average Usage	\$ 108.11	\$ 210.94	\$ 102.83	95.11%
32	70,890				
33	Median Usage	\$ 22.63	\$ 39.29	\$ 16.67	73.68%
34	2,500				

Farmers Water Co.  
Bill Comparison Present and Proposed Rates  
Meter Size: 6 Inch Standpipe

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1		\$ 40.00	\$ 206.38	\$ 166.38	415.94%
2	1,000	41.25	208.88	167.63	406.39%
3	2,000	42.50	211.39	168.89	397.40%
4	3,000	43.75	213.90	170.15	388.92%
5	4,000	45.00	216.41	171.41	380.92%
6	5,000	46.25	218.92	172.67	373.35%
7	6,000	47.50	221.43	173.93	366.18%
8	7,000	48.75	223.94	175.19	359.37%
9	8,000	50.00	226.45	176.45	352.91%
10	9,000	51.25	228.96	177.71	346.76%
11	10,000	52.50	231.47	178.97	340.90%
12	12,000	55.00	236.49	181.49	329.99%
13	14,000	57.50	241.51	184.01	320.02%
14	16,000	60.00	246.53	186.53	310.89%
15	18,000	62.50	251.55	189.05	302.48%
16	20,000	65.00	256.57	191.57	294.73%
17	25,000	71.25	269.12	197.87	277.71%
18	30,000	77.50	281.67	204.17	263.45%
19	35,000	83.75	294.22	210.47	251.31%
20	40,000	90.00	306.77	216.77	240.85%
21	50,000	102.50	331.87	229.37	223.77%
22	60,000	115.00	356.97	241.97	210.40%
23	70,000	127.50	382.06	254.56	199.66%
24	80,000	140.00	407.16	267.16	190.83%
25	90,000	152.50	432.26	279.76	183.45%
26	100,000	165.00	457.36	292.36	177.19%
27					
28					
29					
30					
31	Average Usage	\$ 143.58	\$ 414.35	\$ 270.77	188.59%
32	82,862				
33	Median Usage	\$ 158.75	\$ 444.81	\$ 286.06	180.20%
34	95,000				

Present Rates:  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over \$ 40.00  
\$ 1.25

Proposed Rates:  
Monthly Minimum:  
Gallons in Minimum  
Charge Per 1,000 Gallons  
Over \$ 206.38  
\$ 2.51

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**5/8 inch Residential**

Exhibit  
Schedule H-5  
Page 1  
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
1,001	1,000	70	134	135	114	122	111	128	105	83	111	139	91	1,343	1,343	1,494,984
2,001	2,000	204	192	218	160	147	149	250	336	292	361	354	324	2,987	4,330	4,749,578
3,001	3,000	177	142	172	134	153	150	208	188	171	226	226	222	2,169	6,499	10,308,180
4,001	4,000	179	179	216	178	191	166	174	197	159	200	204	185	2,223	8,722	17,907,775
5,001	5,000	182	157	237	181	209	172	185	170	160	157	166	195	2,171	10,893	27,354,325
6,001	6,000	170	175	209	209	220	183	183	148	119	154	160	169	2,099	12,992	37,145,215
7,001	7,000	164	170	187	196	160	159	118	114	111	145	133	143	1,780	14,772	46,486,433
8,001	8,000	122	137	104	144	141	138	118	105	111	101	109	107	1,437	16,209	54,854,478
9,001	9,000	79	86	84	105	101	121	84	77	101	86	77	88	1,089	17,298	61,480,379
10,001	10,000	81	82	59	76	84	87	61	55	61	46	59	52	803	18,101	67,066,673
11,001	11,000	46	55	45	51	51	56	42	34	67	55	35	51	588	18,689	76,087,083
12,001	12,000	62	71	41	76	65	99	78	70	82	45	54	77	820	19,509	83,380,364
13,001	13,000	33	57	26	45	41	59	51	45	69	49	40	46	561	20,070	88,870,547
14,001	14,000	24	22	16	31	32	42	38	29	36	35	29	32	366	20,436	93,715,889
15,001	15,000	15	39	7	22	20	25	27	31	35	28	20	22	285	20,721	97,439,787
16,001	16,000	11	12	4	14	13	19	10	25	26	20	20	22	196	20,917	103,559,923
17,001	17,000	20,001	25,001	30,001	35,001	40,001	45,001	50,001	55,001	60,001	65,001	70,001	75,001	272	21,189	107,987,504
18,001	18,000	13	22	9	13	17	29	26	28	25	15	15	12	161	21,350	111,335,055
19,001	19,000	8	10	5	10	11	16	15	19	25	15	8	10	103	21,453	114,447,597
20,001	20,000	7	4	4	3	6	9	15	17	14	6	6	6	83	21,536	117,597,632
21,001	21,000	6	5	3	7	4	9	5	10	20	3	5	3	70	21,606	119,962,653
22,001	22,000	2	6	-	4	5	8	8	11	12	6	5	4	43	21,649	121,852,666
23,001	23,000	4	-	2	1	-	6	5	4	10	3	4	4	26	21,675	122,477,672
24,001	24,000	-	-	-	-	-	1	2	9	8	2	1	-	11	21,686	123,497,678
25,001	25,000	2	-	-	-	-	-	1	-	3	3	-	2	12	21,698	124,447,683
26,001	26,000	1	-	-	-	-	2	2	2	1	1	1	1	10	21,708	124,648,605
27,001	27,000	-	-	-	-	-	-	3	3	1	1	-	-	2	21,710	124,750,069
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	1	21,711	124,857,305
29,001	29,000	100,461	101,464	102,467	103,470	104,473	105,476	106,479	107,482	108,485	109,488	110,491	111,494	1	21,712	124,964,541
30,001	30,000	107,236	108,239	109,242	110,245	111,248	112,251	113,254	114,257	115,260	116,263	117,266	118,269	1	21,713	125,071,775
31,001	31,000	108,266	109,269	110,272	111,275	112,278	113,281	114,284	115,287	116,290	117,293	118,296	119,299	1	21,714	125,179,010
32,001	32,000	115,210	116,213	117,216	118,219	119,222	120,225	121,228	122,231	123,234	124,237	125,240	126,243	1	21,715	125,286,245
33,001	33,000	118,130	119,133	120,136	121,139	122,142	123,145	124,148	125,151	126,154	127,157	128,160	129,163	1	21,716	125,393,480
34,001	34,000	118,144	119,147	120,150	121,153	122,156	123,159	124,162	125,165	126,168	127,171	128,174	129,177	1	21,717	125,500,715
35,001	35,000	118,244	119,247	120,250	121,253	122,256	123,259	124,262	125,265	126,268	127,271	128,274	129,277	1	21,718	125,607,950
36,001	36,000	121,342	122,345	123,348	124,351	125,354	126,357	127,360	128,363	129,366	130,369	131,372	132,375	1	21,719	125,715,185
37,001	37,000	123,320	124,323	125,326	126,329	127,332	128,335	129,338	130,341	131,344	132,347	133,350	134,353	1	21,720	125,822,420
38,001	38,000	124,611	125,614	126,617	127,620	128,623	129,626	130,629	131,632	132,635	133,638	134,641	135,644	1	21,721	125,929,655
39,001	39,000	125,892	126,895	127,898	128,901	129,904	130,907	131,910	132,913	133,916	134,919	135,922	136,925	1	21,722	126,036,890
40,001	40,000	127,170	128,173	129,176	130,179	131,182	132,185	133,188	134,191	135,194	136,197	137,200	138,203	1	21,723	126,144,125
41,001	41,000	134,518	135,521	136,524	137,527	138,530	139,533	140,536	141,539	142,542	143,545	144,548	145,551	1	21,724	126,251,360
42,001	42,000	139,980	140,983	141,986	142,989	143,992	144,995	145,998	146,001	147,004	148,007	149,010	150,013	1	21,725	126,358,595
43,001	43,000	152,599	153,602	154,605	155,608	156,611	157,614	158,617	159,620	160,623	161,626	162,629	163,632	1	21,726	126,465,830
44,001	44,000	158,891	159,894	160,897	161,900	162,903	163,906	164,909	165,912	166,915	167,918	168,921	169,924	1	21,727	126,573,065
45,001	45,000	159,453	160,456	161,459	162,462	163,465	164,468	165,471	166,474	167,477	168,480	169,483	170,486	1	21,728	126,680,300
46,001	46,000	172,984	173,987	174,990	175,993	176,996	177,999	178,002	179,005	180,008	181,011	182,014	183,017	1	21,729	126,787,535
47,001	47,000	187,550	188,553	189,556	190,559	191,562	192,565	193,568	194,571	195,574	196,577	197,580	198,583	1	21,730	126,894,770
48,001	48,000	202,881	203,884	204,887	205,890	206,893	207,896	208,899	209,902	210,905	211,908	212,911	213,914	1	21,731	127,002,005
49,001	49,000	211,838	212,841	213,844	214,847	215,850	216,853	217,856	218,859	219,862	220,865	221,868	222,871	1	21,732	127,109,240
50,001	50,000	202,881	203,884	204,887	205,890	206,893	207,896	208,899	209,902	210,905	211,908	212,911	213,914	1	21,733	127,216,475
51,001	51,000	211,838	212,841	213,844	214,847	215,850	216,853	217,856	218,859	219,862	220,865	221,868	222,871	1	21,734	127,323,710

Exhibit  
Schedule H-5  
Page 1  
Witness: Bourassa

**Meter Size:**

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
Totals		1,864	1,752	1,764	1,776	1,795	1,818	1,839	1,836	1,832	1,875	1,900	1,884	21,735		
		Average Usage												5,898		
		Median Usage												3,500		
		Average # Customers												1,811		
		Change in Number of Customers												220		



Farmers Water Co.  
Test Year Ended September 30, 2007  
5/8 Inch Commercial

Exhibit  
Schedule H-5  
Page 2  
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
1	1,000	4	4	4	4	5	5	5	4	4	4	3	5	51	51	17,017
1,001	2,000	1	2	3	3	3	3	2	2	5	1	4	3	34	85	30,522
2,001	3,000	1	1	1	1	1	1	1	1	1	1	1	2	9	94	60,528
3,001	4,000	1	1	1	1	1	1	1	3	1	2	1	1	12	106	99,033
4,001	5,000	1	1	1	2	1	2	2	1	1	1	2	1	11	117	126,036
5,001	6,000	1	1	1	1	1	2	1	1	1	1	1	1	6	123	159,039
6,001	7,000	1	1	1	1	1	1	1	1	1	1	1	1	8	137	211,043
7,001	8,000			1	1	1	1	1	1	1			1	5	142	248,546
8,001	9,000														142	248,546
9,001	10,000		1	1	2				1			2		6	148	305,549
10,001	12,000		2	2	2			1			2	1		11	159	426,554
12,001	14,000	2	1	2		1	1	1				1	1	9	168	543,559
14,001	16,000	3			1	1	1	1				2	1	8	176	663,563
16,001	18,000		1	1	1	1	1	1	1	2	1		1	8	184	799,567
18,001	20,000					1	1		1					3	187	856,568
20,001	25,000	1			1		1	3	1	1	1	1		8	195	1,036,572
25,001	30,000						1	1			1		1	5	200	1,174,075
30,001	35,000		1	1		1				1	1	1		2	202	1,239,076
35,001	40,000													2	204	1,314,077
40,001	50,000								1					1	205	1,359,077
50,001	60,000		1					1	1	1				4	209	1,579,079
60,001	70,000														209	1,579,079
70,001	80,000	1								1				1	210	1,654,080
80,001	90,000											1	1	2	212	1,824,081
90,001	100,000													1	213	1,919,081
112,902	112,902	1												1	214	2,031,883
113,784	113,784										1			1	215	2,145,747
															215	2,145,747

Totals	18	18	18	18	18	17	18	18	18	18	18	18	18	215	9,980	215
	Average Usage													9,980		215
	Median Usage													3,500		215
	Average # Customers													18		215
	Change in Number of Customers													-		215

Exhibit  
Schedule H-5  
Page 3  
Witness: Bourassa

**Witness: Bourassa**

[illegible]**Totals**

### Average Usage

### Median Usage

**Average # Customers**

### Change in Number of Customers

Farmers Water Co.  
Test Year Ended September 30, 2007  
1 Inch Residential

Exhibit  
Schedule H-5  
Page 4  
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-08	Month of Nov-08	Month of Dec-08	Month of Jan-09	Month of Feb-09	Month of Mar-09	Month of Apr-09	Month of May-09	Month of Jun-09	Month of Jul-09	Month of Aug-09	Month of Sep-09	Total Year	Cumulative Billing	Cumulative Gallons
1	1,000	22	28	26	33	30	34	43	33	28	35	31	369	369	369	138,138
1,001	2,000	30	28	15	17	20	18	24	24	21	28	27	276	645	645	445,741
2,001	3,000	19	12	27	14	13	12	19	16	12	13	20	28	205	850	933,338
3,001	4,000	11	19	23	17	13	17	10	10	18	20	21	18	195	1,045	1,451,412
4,001	5,000	12	9	12	17	18	17	13	11	5	6	16	12	148	1,193	2,135,488
5,001	6,000	10	13	19	8	19	10	17	13	9	14	10	10	152	1,345	2,828,551
6,001	7,000	10	10	12	10	14	13	11	3	4	7	11	15	120	1,591	3,608,611
7,001	8,000	6	11	12	16	8	7	10	10	6	11	17	27	141	1,732	4,666,182
8,001	9,000	4	8	11	9	9	1	13	15	9	7	6	7	99	1,831	5,507,731
9,001	10,000	8	5	4	10	6	11	4	4	13	6	7	6	84	1,915	6,305,773
10,001	12,000	9	8	8	8	12	11	10	16	8	17	8	13	128	2,043	7,713,837
12,001	14,000	12	9	5	10	13	14	9	10	10	9	9	7	117	2,160	9,234,896
14,001	16,000	6	6	2	2	3	10	6	9	9	8	13	8	82	2,242	10,464,937
16,001	18,000	3	7	3	4	2	2	7	3	5	5	1	6	49	2,291	11,297,961
18,001	20,000	5	6	3	5	5	6	4	4	6	3	2	2	47	2,338	12,190,985
20,001	25,000	5	1	2	4	5	11	8	6	13	7	6	8	76	2,414	13,901,023
25,001	30,000	5	7	2	2	2	3	3	12	7	7	4	2	54	2,468	15,386,050
30,001	35,000	3	1	2	2	1	1	2	1	7	3	2	3	28	2,496	16,296,064
35,001	40,000	2	1	1	1	1	4	3	3	6	3	3	2	25	2,521	17,233,576
40,001	50,000	1	1	1	3	3	3	1	3	8	4	3	2	28	2,549	18,493,990
50,001	60,000	3	1	1	1	1	2	2	1	2	3	1	1	16	2,565	19,373,598
60,001	70,000	3	3	1	1	1	2	1	4	2	2	2	3	17	2,582	20,478,607
70,001	80,000	1	1	1	1	1	1	1	1	1	1	1	1	4	2,592	21,268,612
80,001	90,000	1	1	1	1	1	1	1	1	1	1	1	1	10	2,602	22,218,617
90,001	100,000	1	1	1	1	1	1	1	1	1	1	1	1	1	2,603	22,320,247
101,630	101,630	1	1	1	1	1	1	1	1	1	1	1	1	1	2,604	22,422,074
101,827	101,827	1	1	1	1	1	1	1	1	1	1	1	1	1	2,605	22,526,324
104,250	104,250	1	1	1	1	1	1	1	1	1	1	1	1	1	2,606	22,633,276
106,952	106,952	1	1	1	1	1	1	1	1	1	1	1	1	1	2,607	22,742,019
108,743	108,743	1	1	1	1	1	1	1	1	1	1	1	1	1	2,608	22,859,619
117,600	117,600	1	1	1	1	1	1	1	1	1	1	1	1	1	2,609	22,981,399
121,780	121,780	1	1	1	1	1	1	1	1	1	1	1	1	1	2,610	23,105,549
124,150	124,150	1	1	1	1	1	1	1	1	1	1	1	1	1	2,612	23,380,567
137,509	137,509	1	1	1	1	1	1	1	1	1	1	1	1	1	2,613	23,524,382
143,815	143,815	1	1	1	1	1	1	1	1	1	1	1	1	1	2,614	23,668,124
163,742	163,742	1	1	1	1	1	1	1	1	1	1	1	1	1	2,615	23,910,007
221,883	221,883	1	1	1	1	1	1	1	1	1	1	1	1	1	2,616	24,136,097
226,090	226,090	1	1	1	1	1	1	1	1	1	1	1	1	1	2,617	24,379,588
243,491	243,491	1	1	1	1	1	1	1	1	1	1	1	1	1	2,617	24,379,588
Totals		192	205	199	208	208	226	225	225	222	223	239	245	2,617		
														9,316		
														4,500		
														218		
														53		

Average Usage  
Median Usage  
Average # Customers  
Change in Number of Customers

Exhibit  
Schedule H-5  
Page 5  
Witness: Bourassa

**Meter Size:**

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons	
1	1,000	2	2								2	1	1	1	9	4,004	
1,001	2,000	1	1		1								1	4	8	10,006	
2,001	3,000	1	1	1		2								5	13	22,509	
3,001	4,000							1							4	18	36,511
4,001	5,000						1	2			1		1	4	22	29	68,014
5,001	6,000									1				7	36	106,518	
6,001	7,000		1	1	1	1							1	5	41	139,020	
7,001	8,000	1									2			2	43	154,021	
8,001	9,000	1									1			1	44	162,522	
9,001	10,000							1	2			1		6	50	219,525	
10,001	12,000		1	1	1		1						1	6	56	285,528	
12,001	14,000	1	1			1					1		1	6	62	363,531	
14,001	16,000			1			1						1	5	67	438,533	
16,001	18,000							1	1					3	70	489,535	
18,001	20,000	1			1		1						1	7	77	622,538	
20,001	25,000	1	2					1	1			1		5	82	735,041	
25,001	30,000			2	1		1	1				1		7	89	927,544	
30,001	35,000	1							1					3	92	1,025,046	
35,001	40,000				1		1							1	93	1,062,546	
40,001	50,000													1	94	1,107,547	
50,001	60,000		1											2	96	1,217,548	
60,001	70,000			1		1								4	100	1,477,550	
70,001	80,000	1						1	1					3	103	1,702,551	
80,001	90,000													2	105	1,872,552	
90,001	100,000												1	1	106	2,023,552	
151,000	151,000													-	106	2,023,552	
	-													-	106	2,023,552	
	-													-	106	2,023,552	

Exhibit  
Schedule H-5  
Page 6  
Witness: Bourassa

1 Inch Industrial

[illegible]

Exhibit  
Schedule H-5  
Page 7  
Witness: Bourassa

**Farmers Water Co.**

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumul. alive Billing	Cumul. alive Gallons
-	1,000	1	2	-	-	2	-	-	-	-	1	-	-	6	8	-
1,001	2,000	-	-	2	-	-	-	-	-	-	-	-	-	2	2	1,001
2,001	3,000	-	-	-	1	-	-	-	-	-	-	-	-	1	9	2,502
3,001	4,000	1	-	-	-	-	-	-	-	-	-	-	-	1	10	5,002
4,001	5,000	-	-	-	1	-	-	-	-	-	-	-	-	2	12	12,003
5,001	6,000	-	1	-	-	1	-	-	-	-	-	1	-	3	15	25,505
6,001	7,000	-	-	1	1	-	1	-	-	-	-	-	1	2	17	36,506
7,001	8,000	1	-	-	-	1	-	-	-	-	-	-	-	7	24	82,009
8,001	9,000	-	-	-	1	-	-	1	-	-	-	-	-	2	26	97,010
9,001	10,000	-	-	-	-	-	-	-	-	-	-	1	-	4	30	131,012
10,001	12,000	1	-	-	-	1	-	-	-	-	-	-	-	-	30	131,012
12,001	14,000	-	1	-	-	-	-	-	1	-	-	-	-	3	33	164,014
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	1	2	35	190,015
16,001	18,000	-	-	-	-	-	-	-	-	1	1	-	-	2	37	220,016
18,001	20,000	1	-	-	-	1	-	-	-	-	-	-	-	1	38	237,016
20,001	25,000	1	-	1	-	-	-	2	-	-	-	1	2	6	44	351,019
25,001	30,000	-	1	-	1	-	2	-	-	3	2	1	1	11	55	598,525
30,001	35,000	1	-	-	-	-	1	1	1	1	1	-	-	7	62	791,028
35,001	40,000	-	1	-	-	2	-	-	-	1	-	-	-	6	68	986,031
40,001	50,000	-	1	-	2	-	-	-	-	-	1	1	1	6	74	1,211,034
50,001	60,000	-	1	1	-	-	1	1	2	-	1	1	2	11	85	1,706,040
60,001	70,000	-	1	-	2	-	1	-	1	-	-	3	-	8	93	2,146,044
70,001	80,000	-	1	-	-	-	-	-	-	-	-	-	-	1	94	2,211,044
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	1	95	2,286,045
90,001	100,000	-	-	-	-	-	-	-	-	-	1	-	-	2	97	2,476,046
114,838	114,838	-	-	-	-	-	-	1	-	-	-	-	1	1	98	2,590,884
128,667	128,667	-	-	-	-	-	-	-	-	-	-	-	-	2	100	2,848,258
130,547	130,547	-	-	-	-	-	1	-	-	-	-	-	-	1	101	2,978,805
159,199	159,199	-	-	-	-	-	-	-	-	-	-	-	-	1	102	3,138,004
194,432	194,432	-	-	-	-	-	-	1	-	-	-	-	-	1	103	3,332,436
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	103	3,332,436

Totals

Exhibit  
Schedule H-5  
Page 8  
Witness: Bourassa

**Meter Size:**

[illegible][illegible]

Farmers Water Co.  
Test Year Ended September 30, 2007  
2 Inch Multi-Family

Exhibit  
Schedule H-5  
Page 9  
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
1,001	1,000	2	1	1	4	1	-	2	-	2	1	-	2	24	24	1,001
2,001	2,000	-	1	-	-	-	1	-	-	-	-	-	-	2	26	14,006
3,001	3,000	-	-	-	2	3	-	1	-	-	-	-	-	9	35	17,006
4,001	4,000	-	-	-	1	-	-	-	-	-	-	-	-	1	36	34,509
5,001	5,000	-	-	-	-	-	-	-	-	1	2	-	-	5	41	43,510
6,001	6,000	-	-	-	-	-	-	-	-	-	-	1	-	2	43	43,510
7,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43	50,010
8,001	8,000	1	-	-	-	-	-	1	-	-	-	-	-	2	46	65,011
9,001	9,000	-	-	-	-	-	-	-	-	-	-	1	-	3	49	80,513
10,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	80,513
11,001	11,000	-	-	2	-	-	-	-	-	-	-	-	-	3	52	123,514
12,001	12,000	-	-	-	-	-	1	1	-	1	1	-	-	5	57	188,517
13,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	6	63	278,520
14,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	3	66	329,521
15,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	3	66	329,521
16,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	4	70	405,523
17,001	17,000	1	-	-	1	-	-	-	-	-	-	-	-	8	79	608,028
18,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	8	87	828,032
19,001	19,000	1	2	-	-	-	-	1	1	-	-	-	-	5	92	990,534
20,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	9	101	1,328,039
21,001	21,000	3	-	2	1	1	-	-	-	-	-	-	-	18	117	2,048,047
22,001	22,000	-	1	2	3	4	2	2	1	-	-	-	-	23	140	3,313,058
23,001	23,000	2	6	4	2	3	1	3	3	-	4	3	2	30	170	5,263,073
24,001	24,000	5	1	2	3	4	1	1	1	4	-	-	-	28	198	7,363,087
25,001	25,000	1	3	1	1	-	6	1	2	3	5	-	-	24	222	9,403,099
26,001	26,000	-	2	-	2	2	2	3	-	-	-	-	3	16	238	10,923,107
27,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	1	239	11,023,207
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	1	240	11,123,707
29,001	29,000	-	-	-	-	-	-	1	-	-	-	-	-	1	241	11,224,807
30,001	30,000	-	-	-	-	-	-	-	-	-	-	1	-	1	242	11,326,807
31,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	1	243	11,430,807
32,001	32,000	1	-	-	-	-	-	-	-	-	-	-	-	1	244	11,534,807
33,001	33,000	-	1	-	-	-	-	-	-	-	-	-	-	1	245	11,639,007
34,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	2	247	11,849,407
35,001	35,000	-	-	-	-	-	-	-	-	-	-	1	-	2	249	12,064,007
36,001	36,000	-	1	-	-	-	-	-	-	-	-	-	-	1	250	12,171,507
37,001	37,000	1	-	-	-	-	-	-	-	-	-	-	-	1	251	12,279,307
38,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	1	252	12,388,407
39,001	39,000	1	-	-	-	-	-	-	-	-	-	-	-	1	253	12,498,507
40,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	1	254	12,608,707
41,001	41,000	-	-	-	1	-	-	-	-	-	-	-	-	1	255	12,720,707
42,001	42,000	-	-	-	-	-	-	1	-	-	-	-	-	1	256	12,833,107
43,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	2	258	13,061,107
44,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	1	259	13,175,907
45,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	1	260	13,292,207
46,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	1	261	13,410,207
47,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	1	262	13,528,807
48,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	1	263	13,650,507
49,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	1	263	13,650,507



Farmers Water Co.  
 Test Year Ended September 30, 2007  
 2 Inch Multi-Family

Exhibit  
 Schedule H-5  
 Page 9  
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
121,700	121,700													1	264	13,772,207
123,600	123,600		1											1	265	13,895,807
127,600	127,600						1							1	266	14,023,407
128,200	128,200								1					1	267	14,151,607
128,700	128,700								1					1	268	14,280,307
134,400	134,400		1											1	269	14,414,707
139,000	139,000													1	270	14,553,707
147,400	147,400								1					2	272	14,833,607
150,500	150,500					1								1	273	14,980,907
152,417	152,417	1										1		2	275	15,281,907
154,900	154,900							1						1	276	15,434,324
162,800	162,800													1	277	15,589,224
163,300	163,300										1			1	278	15,752,024
169,900	169,900									1				1	279	15,915,324
172,900	172,900													1	280	16,085,224
173,200	173,200								1					1	281	16,258,124
173,600	173,600													1	282	16,431,324
175,000	175,000											1		2	284	16,778,524
176,700	176,700													1	285	16,953,524
177,900	177,900			1						1				1	286	17,130,224
179,200	179,200													1	287	17,308,124
179,500	179,500					1								1	288	17,487,324
183,000	183,000	1						1						1	289	17,666,824
183,000	183,000													1	290	17,849,824
192,900	192,900													1	291	18,042,724
194,300	194,300									1				1	292	18,237,024
196,000	196,000													1	293	18,433,024
203,600	203,600							1						2	295	18,840,224
206,200	206,200		1								1			1	296	19,046,424
212,200	212,200													1	297	19,258,624
213,600	213,600							1						1	298	19,472,224
220,400	220,400									1				1	299	19,682,624
227,800	227,800													1	300	19,820,424
227,900	227,900				1									1	301	20,148,324
232,600	232,600										1			1	302	20,380,924
241,500	241,500						1							1	303	20,622,424
280,100	280,100		1											1	304	20,902,524
283,800	283,800													1	305	21,186,324
289,200	289,200									1				1	306	21,475,524
347,300	347,300													1	307	21,822,824
376,500	376,500			1										1	308	22,199,324
395,649	395,649													1	309	22,594,973
417,400	417,400								1					1	310	23,012,373
431,700	431,700	1				1								1	311	23,444,073
433,900	433,900													1	312	23,877,973
440,100	440,100													1	313	24,318,073
442,500	442,500		1											1	314	24,760,573
475,700	475,700							1						1	315	25,236,273

Farmers Water Co.  
 Test Year Ended September 30, 2007  
 2 Inch Multi-Family

Exhibit  
 Schedule H-5  
 Page 9  
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumul- ative Billing	Cumul- ative Gallons
509,400	509,400	-	-	-	-	-	-	-	-	1	-	-	-	1	316	25,745,673
565,832	565,832	-	-	-	-	-	-	-	-	-	-	1	-	1	317	26,311,505
578,600	578,600	-	-	-	-	-	-	-	-	-	-	-	1	1	318	26,877,337
590,600	590,600	-	-	-	-	-	1	-	-	-	-	-	-	1	319	27,455,937
594,903	594,903	-	-	-	-	-	-	-	-	1	-	-	-	1	320	28,046,537
669,679	669,679	-	-	-	-	-	-	-	-	-	1	-	-	1	321	28,641,440
		-	-	-	-	-	-	-	-	-	-	-	-	1	322	29,311,119
		-	-	-	-	-	-	-	-	-	-	-	-	-	322	29,311,119

Totals	26	28	24	25	27	28	26	27	27	28	28	28	28	322	91,028	65,000	27	2
	Average Usage														91,028	65,000	27	2
	Median Usage														65,000	65,000	27	2
	Average # Customers														27	27	27	2
	Change in Number of Customers														2	2	2	2

Farmers Water Co.

Test Year Ended September 30, 2007  
2 Inch Commercial

Meter Size:

Exhibit  
Schedule H-5  
Page 10  
Witness: Bourassa

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
1	1,000	2	3	1	1	1	2	2	1	1	1	1	1	13	13	1,502
1,001	2,000			1	1									3	16	1,502
2,001	3,000			1										1	17	3,002
3,001	4,000				1							1		1	18	5,503
4,001	5,000	1	1		1	1								1	19	9,003
5,001	6,000			1			1							4	23	27,005
6,001	7,000				1									2	25	38,006
7,001	8,000	1	1		1									5	30	70,509
8,001	9,000	1		1										4	34	100,511
9,001	10,000					1		2						8	42	188,515
10,001	12,000	1	1		2	1	1							2	44	187,516
12,001	14,000			1	1	2								6	50	253,519
14,001	16,000	1		1	1									8	58	357,523
16,001	18,000		1			1	1							6	64	447,526
18,001	20,000	1	1		1	1								6	70	549,529
20,001	25,000	1	1	1	1	1	1							6	76	663,532
25,001	30,000	1	1	2	1	1	2	1						12	88	933,538
30,001	35,000	2			1		1	1	1	1	1	1		12	100	1,263,544
35,001	40,000		1	1	1									10	110	1,588,549
40,001	50,000	2	1	1	1	2	2	1	3	1	1			5	115	1,776,051
50,001	60,000	1	1	1	2	1	1	1	2	2	1	1		14	129	2,406,058
60,001	70,000			1	2	1	1	1	1	1	1	1		12	141	3,086,064
70,001	80,000		1	1		1	1	1	2	1	2	2		15	156	4,041,072
80,001	90,000					1	1	1	1	1	2	1		7	163	4,566,075
90,001	100,000	1		1			1							5	168	4,991,078
100,001	102,100			1			1		2					6	174	5,561,081
102,100	102,600							1						1	175	5,663,181
102,600	103,100													1	176	5,765,181
103,100	107,400													1	177	5,868,881
107,400	108,400					1								1	178	5,976,281
108,400	108,800									1				1	179	6,084,681
111,500	111,500										1			1	180	6,193,481
112,300	112,300													1	181	6,304,981
112,600	112,600		1											1	182	6,417,281
120,400	120,400													1	183	6,529,881
121,000	121,000				1									1	184	6,650,281
128,200	128,200													1	185	6,771,281
141,100	141,100													1	186	6,899,481
144,000	144,000						1							1	187	7,040,581
144,200	144,200													1	188	7,184,581
156,900	156,900	1												1	189	7,328,781
157,000	157,000		1				1							1	190	7,485,681
157,700	157,700													1	191	7,642,581
167,100	167,100							1						1	192	7,800,381
167,500	167,500													1	193	7,967,481
173,200	173,200													1	194	8,134,981
179,000	179,000													1	195	8,308,181
														1	196	8,487,181

Farmers Water Co.  
 Test Year Ended September 30, 2007  
 2 Inch Commercial

Exhibit  
 Schedule H-5  
 Page 10  
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumul- ative Billing	Cumul- ative Gallons
184,000	184,000													1	197	8,671,181
199,900	199,900					1								1	198	8,871,081
201,400	201,400													1	199	9,072,481
208,000	208,000													1	200	9,280,481
234,600	234,600													1	201	9,515,081
236,900	236,900													1	202	9,751,981
-	-													-	202	9,751,981
-	-													-	202	9,751,981

Totals	16	17	17	17	17	17	17	17	17	17	17	17	17	202	48,277	
															32,500	
															17	
															1	

Average Usage  
 Median Usage  
 Average # Customers  
 Change in Number of Customers

Exhibit  
Schedule H-5  
Page 11  
Witness: Bourassa

**Meter Size:**

[illegible]

Totals

Average Usage	47,630
Median Usage	25,000
Average # Customers	2
Change in Number of Customers	-

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
812,000	812,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1	812,000
865,300	985,300	-	-	-	-	-	-	-	-	-	-	-	1	1	2	1,777,300
1,111,800	1,111,800	-	-	-	-	-	-	-	-	-	-	1	-	1	3	2,889,100
1,271,800	1,271,800	-	1	-	-	-	-	-	-	-	-	-	-	1	4	4,160,900
1,284,800	1,284,800	-	-	-	-	-	-	-	-	-	-	-	-	1	5	5,445,700
1,355,900	1,355,900	-	-	-	-	-	-	-	-	-	-	-	-	1	6	6,801,600
1,368,100	1,368,100	-	-	-	-	1	-	-	-	-	-	-	-	1	7	8,169,700
1,393,000	1,393,000	-	-	-	-	-	-	1	-	-	-	-	-	1	8	9,562,700
1,447,000	1,447,000	1	-	-	-	-	-	-	-	-	-	-	-	1	9	11,009,700
1,459,900	1,459,900	-	-	-	-	-	-	-	1	-	-	-	-	1	10	12,469,600
1,488,600	1,488,600	-	1	-	-	-	-	-	-	-	-	-	-	1	11	13,958,200
1,735,700	1,735,700	-	-	-	-	-	1	-	-	-	-	-	-	1	12	15,693,900

**Totals**

Average Usage	1,307,825
Median Usage	13,620,000
Average # Customers	1
Change in Number of Customers	-

Exhibit  
Schedule H-5  
Page 13  
Witness: Bourassa

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
1	1,000															
	1,001															
	2,000															
	2,001															
	3,000															
	3,001															
	4,000															
	4,001															
	5,000															
	5,001															
	6,000															
	6,001															
	7,000															
	7,001															
	8,000															
	8,001															
	9,000															
	9,001															
	10,000															
	10,001															
	12,000															
	12,001															
	14,000															
	14,001															
	16,000															
	16,001															
	18,000															
	18,001															
	20,000															
	20,001															
	25,000															
	25,001															
	30,000															
	30,001															
	35,000															
	35,001															
	40,000															
	35,001															
	40,001															
	50,000															
	50,001															
	60,000															
	60,001															
	70,000															
	70,001															
	80,000															
	80,001															
	90,000															
	90,001															
	100,000															
	189,010													1	1	189,010
	217,200						1							1	2	406,210
	232,100							1						1	3	638,310
	232,100											1		2	5	1,123,350
	242,520													1	6	1,365,890
	242,520													1	7	1,611,050
	242,540													1	8	1,859,120
	245,160													1	9	2,179,320
	245,160													1	10	2,504,100
	248,070													1	11	2,839,480
	320,200		1											1	12	3,169,680
	320,200													1	13	3,526,360
	324,780				1									2	14	3,887,870
	324,780											1		1	15	4,250,170
	335,380													1	16	4,613,360
	335,380													1	17	4,985,020
	343,440													1	18	5,360,060
	343,440													1	19	5,739,570
	361,510													1	20	6,136,560
	361,510													1	21	6,536,260
	362,300													1	22	6,938,560
	362,300													1	23	7,340,860
	363,190													1	24	7,744,050
	363,190													1	25	8,147,240
	371,660													1	26	8,551,900
	371,660													1	27	8,956,560
	375,040													1	28	9,361,600
	375,040													1	29	9,766,640
	379,510													1	30	10,171,150
	379,510													1	31	10,576,190
	396,990													1	32	10,981,180
	396,990													1	33	11,386,170
	399,700													1	34	11,791,170
	399,700													1	35	12,196,170
	494,680													1	36	12,690,850
	494,680													1	37	13,185,530
	511,110													1	38	13,696,640
	511,110													1	39	14,207,750
	534,420													1	40	14,742,170

Farmers Water Co.  
 Test Year Ended September 30, 2007  
 6 Inch - Multi-Family

Exhibit  
 Schedule H-5  
 Page 13  
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	8,076,470
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	8,076,470
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	8,076,470
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	8,076,470

Totals	2	2	2	2	2	2	2	2	2	2	2	2	2	24	336,520	
															343,440	
															2	

Average Usage  
 Median Usage  
 Average # Customers  
 Change in Number of Customers



Exhibit  
Schedule H-5  
Page 14  
Witness: Bourassa

**2 Inch Standpipe**

Usage From:	Usage To:	Month of Oct-06	Month of Nov-06	Month of Dec-06	Month of Jan-07	Month of Feb-07	Month of Mar-07	Month of Apr-07	Month of May-07	Month of Jun-07	Month of Jul-07	Month of Aug-07	Month of Sep-07	Total Year	Cumulative Billing	Cumulative Gallons
-	1,000	2	2	1	1	2	1	1	1	1	1	1	1	15	15	-
1,001	2,000	1	1	1	1	-	-	2	2	2	1	-	-	9	24	4,505
2,001	3,000	1	-	1	1	1	2	-	1	1	1	3	3	15	39	27,012
3,001	4,000	2	1	2	-	1	1	3	1	1	1	-	-	12	51	57,018
4,001	5,000	1	2	1	3	2	1	1	1	-	-	1	2	15	66	109,526
5,001	6,000	-	1	-	-	-	1	-	-	2	2	-	-	6	72	136,529
6,001	7,000	-	-	1	-	1	-	-	-	-	-	1	-	3	75	153,030
7,001	8,000	1	-	-	1	1	-	-	-	-	-	1	-	4	79	179,032
8,001	9,000	-	1	-	-	-	1	1	-	-	-	-	-	4	83	209,034
9,001	10,000	-	-	-	-	-	-	1	-	-	-	-	-	1	84	217,535
10,001	12,000	-	-	-	1	-	-	-	1	-	-	-	-	2	86	236,536
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	236,536
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	1	1	87	249,536
16,001	18,000	-	-	-	-	-	-	-	-	1	-	-	-	1	88	264,537
18,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	88	264,537
20,001	25,000	-	-	1	-	-	-	-	-	-	-	-	-	1	89	287,037
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
30,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
35,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
40,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	287,037
107,100	107,100	-	-	-	1	1	-	-	-	-	-	-	-	1	90	394,137
234,800	234,800	-	-	1	-	-	-	-	-	-	-	-	-	1	91	628,937
344,000	344,000	-	-	-	-	-	-	-	-	-	-	-	-	1	92	972,937
947,900	947,900	-	-	-	-	1	-	-	-	-	-	-	-	1	93	1,920,837
2,275,500	2,275,500	-	1	-	-	-	-	-	-	-	-	-	-	1	94	4,196,337
2,538,200	2,538,200	1	-	-	-	-	-	-	-	-	-	-	-	1	95	6,734,537
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95	6,734,537
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																
<hr/>																

Exhibit  
Schedule H-5  
Page 15  
Witness: Bourassa

[illegible]

Totals

<b>COMPANY NAME</b>	<b>FARMERS WATER CO.</b>	<b>12/31/07</b>
<b>Name of System:</b>	<b>ADEQ Public Water System Number:</b>	<b>PWS 10048</b>

**WATER COMPANY PLANT DESCRIPTION**  
**SAHUARITA**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-534922(S52A)	30	220	1520	8	4	1993
*55-624001(S-52)	60	600	1200	14/12	8	1974

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	1	0	0
7 ½	1		
¾	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
17,500 gals	2	5,000 gals	1

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

COMPANY NAME	FARMERS WATER CO.	12/31/07
Name of System:	ADEQ Public Water System Number:	PWS 10049

**WATER COMPANY PLANT DESCRIPTION**  
**CONTINENTAL**  
**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-624012(E5A)	75	500	520	16	8	1959
*55-624020(E-13)	60	650	1100	18	8	1953
55-210420(E-17)	50	500 (est)	800	12 ¾	6	2006
55-624028(NP-2)	10	35	375	16	2	1977

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
60	4	167	
30	3		
20	2		
15	4		
10	1		
¾	1		
3	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1,000,000 gals	1	5,000 gals	5
500,000 gals	1		
75,000 gals	1		
8,000 gals	1		

NY NAME	FARMERS WATER CO.	12/31/07
System:	ADEQ Public Water System Number:	PWS 10213

**WATER COMPANY PLANT DESCRIPTION**  
**SANTA RITA SPRINGS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-624025	200	1900	1186	18/16	12	1974

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
50	2	110	0
25	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1,000,000 gals	1	5000 gals	1
		10,000 gals	1

<b>COMPANY NAME</b>	<b>FARMERS WATR CO.</b>	<b>12/31/07</b>
<b>Name of System:</b>	<b>ADEQ Public Water System Number:</b>	<b>PWS 10414</b>

**WATER COMPANY PLANT DESCRIPTION**  
**SAHUARITA HIGHLANDS**

<b>ADWR IDNumber*</b>	<b>Pump Horsepower</b>	<b>Pump Yield (gpm)</b>	<b>Casing Depth (Feet)</b>	<b>Casing Diameter (Inches)</b>	<b>Meter Size (inches)</b>	<b>Year Drilled</b>
55-201058	30	200	600	12 ¾	4	2004

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

<b>Name or Description</b>	<b>Capacity (gpm)</b>	<b>Gallons Purchased or Obtained (in thousands)</b>

<b>BOOSTER PUMPS</b>		<b>FIRE HYDRANTS</b>	
<b>Horsepower</b>	<b>Quantity</b>	<b>Quantity Standard</b>	<b>Quantity Other</b>
10	1	38	0
25	1		
50	1		

<b>STORAGE TANKS</b>		<b>PRESSURE TANKS</b>	
<b>Capacity</b>	<b>Quantity</b>	<b>Capacity</b>	<b>Quantity</b>
200,500 gals	1	5,000 gals	1

COMPANY NAME	FARMERS WATER CO.	12/31/07
Name of System:	ADEQ Public Water System Number:	PWS 10048

### WATER COMPANY PLANT DESCRIPTION (CONTINUED)

#### SAHUARITA S-52 & S-52A

#### MAINS

Size (in inches)	Material	Length (in feet)
2		2971
3	iron	1624
4	iron	1722
5		
6	Dip	377
8		
10		
12	Dip	296
4	PVC	3822
6	PVC	2681
8	PVC	3785

#### CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	76
3/4	
1	5
1 1/2	1
2	1
Comp. 3	
Turbo 3	
Comp. 4	1
Tubo 4	
Comp. 6	
Tubo 6	
Total	84

For the following three items, list the utility owned assets in each category for each system.

#### TREATMENT EQUIPMENT:

One chlorine tablet injection system at Sahuarita Pumping Station

#### STRUCTURES:

S-52 well site: 6' chain link fence 96' perimeter

S-52A well site: 6' chain link fence 90' perimeter

Sahuarita storage & pumping station: 6' chain link fence 260' perimeter

#### OTHER:

Two (2) Ford F-150 pick-ups

One (1) Ford F-250 small truck

One (1) Mercury Grand Marquis

*Note: If you are filing for more than one system, please provide separate sheets*

COMPANY NAME	FARMERS WATER CO.	12/31/07
Name of System:	ADEQ Public Water System Number:	PWS 10049

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**  
**CONTINENTAL, MADERA HIGHLANDS & NP-2**

**MAINS**

Size (in inches)	Material	Length (in feet)
2	iron	1386
3	iron	1755
4	iron	1955
5		
6	Dip	3002
8	Dip	1346
10		
12	Dip	4205
16	Dip	3319
4	PVC	10,608
6	PVC	20,831
8	PVC	77,664
12	PVC	9803
16	PVC	600

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 X 3/4	550
3/4	1
1	137
1 1/2	14
2	33
Comp. 3	
Turbo 3	1
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	2
Total	738

For the following three items, list the utility owned assets in each category for each system.

**TREATMENT EQUIPMENT:**

Four (4) chlorine tablet injection systems

**STRUCTURES:**

Wood storage bldg. 128 sq ft with 188' perimeter 6' chain link fence

Wood storage bldg 60 sq ft with 598' perimeter 6' chain link fence

NP-2 well site: 108' perimeter 6' chain link fence

Pump stn at Colonia Real: 451' perimeter 6' chain link fence

E-13A Well Site: 195' of 6' chain link fence

E-13A Pump Stn: 542' of block wall (tiered; height varies with terrain) and 6' chain link fence

**OTHER:**

NOTE: - 2007 Additions Included:

Portions of Madera Highlands Villages 1,3,5,6,7,8,9,10,15 and Madera Plaza

\* = Discrepancies of meter numbers from previous years which may have included multiple occupants of same premise resulting in duplication

***Note: If you are filing for more than one system, please provide separate sheets for each system.***



COMPANY NAME	FARMERS WATER CO.	12/31/07
Name of System:	ADEQ Public Water System Number:	PWS 10213

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**  
**SANTA RITA SPRINGS – W-11**

MAINS		
Size (in inches)	Material	Length (in feet)
2		
3		
4	ACP	2727
5		
6	ACP	2835
8	Dip	90
10		
12	Dip	1080
4	PVC	6130
6	PVC	17,355
8	PVC	17,174
12	PVC	11,811

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	1251
3/4	
1	65
1 1/2	1
2	9
Comp. 3	
Turbo 3	1
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	
Total	1327

For the following three items, list the utility owned assets in each category for each system.

**TREATMENT EQUIPMENT:**

One (1) chlorine tablet injection system

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**STRUCTURES:**

1 – 60 sq ft storage bldg at pump stn with 224' of perimeter 6' chain link fence

W-11 well site: 143' linear 8' block wall

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**OTHER:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate sheets for each system*

COMPANY NAME	FARMERS WATR CO.	12/31/07
Name of System:	ADEQ Public Water System Number:	PWS 10414

### WATER COMPANY PLANT DESCRIPTION (CONTINUED)

#### SAHUARITA HIGHLANDS

#### MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	945
5		
6	PVC	2115
8	PVC	21850
10		
12	PVC	498

#### CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	6
3/4	
1	22
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	
Total	28

For the following three items, list the utility owned assets in each category for each system.

#### TREATMENT EQUIPMENT:

One (1 chlorine tablet injection system

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### STRUCTURES:

well and pump strn site: 8' block 606' perimeter

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### OTHER:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

COMPANY NAME: FARMERS WATER CO.	9/30/07
Name of System: ADEQ Public Water System Number:	PWS 10048

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007**  
**SAHUARITA**

S-52 & S52A

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
OCTOBER 2006	95	2999	2965	--
NOVEMBER	93	2741	3552	--
DECEMBER	93	3473	2346	--
JANUARY 2007	86	2234	2141	--
FEBRUARY	86	2426	2443	--
MARCH	86	2554	2811	--
APRIL	85	3318	3742	--
MAY	85	2965	3685	--
JUNE	85	3215	3996	--
JULY	84	3395	3979	--
AUGUST	84	2583	2411	--
SEPTEMBER	83	2411	2510	--
		<b>34,314</b>	<b>36,581</b>	

What is the level of arsenic for each well on your system? 6.2 ppb mg/l  
*(If more than one well, please list each separately.)*

If system has fire hydrants, what is the fire flow requirement? n/a GPM for n/a hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
☒ (X) Yes                      ☐ ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
☒ (X) Yes                      ☐ ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
☐ ( ) Yes                      ☒ (X) No

If yes, provide the GPCPD amount: \_\_\_\_\_

***Note: If you are filing for more than one system, please provide separate***

COMPANY NAME: FARMERS WATER CO.	9/30/07
Name of System: ADEQ Public Water System Number: PWS 10049	

# **WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007**

## **CONTINENTAL**

**E-5A & E-13A& NP-2**

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
OCTOBER 2006	448	13185	13034	--
NOVEMBER	461	12877	16684	--
DECEMBER	515	13168	8896	--
JANUARY 2007	568	6022	8108	--
FEBRUARY	597	7755	9592	--
MARCH	616	8883	10168	--
APRIL	625	12910	13980	--
MAY	645	10974	14326	--
JUNE	654	12780	14458	--
JULY	660	14225	13172	--
AUGUST	692	12549	13546	--
SEPTEMBER	716	10712	12080	--
		136,040	148,044	

E-5A 6.9 ppb

What is the level of arsenic for each well on your system? E-13A 4.3 ppb mg/l  
(If more than one well, please list each separately.) NP-2 3.4 ppb

If system has fire hydrants, what is the fire flow requirement? 1000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
( ) Yes (X) No

If yes, provide the GPCPD amount: \_\_\_\_\_

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

COMPANY NAME: FARMERS WATER CO.		9/30/07
Name of System:	ADEQ Public Water System Number:	PWS 10213

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007**  
**SANTA RITA SPRINGS**

W-11

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
OCTOBER 2006	1330	6578	6713	--
NOVEMBER	1325	7089	8863	--
DECEMBER	1326	7469	6061	--
JANUARY 2007	1318	5920	6538	--
FEBRUARY	1318	7632	7676	--
MARCH	1319	7147	8180	--
APRIL	1324	8288	8199	--
MAY	1326	6810	7269	--
JUNE	1326	7036	7318	--
JULY	1325	9120	9439	--
AUGUST	1326	6265	6278	--
SEPTEMBER	1326	6017	6147	--
TOTALS →		85,371	88,681	

What is the level of arsenic for each well on your system? 9.0 ppb mg/l  
*(If more than one well, please list each separately.)*

If system has fire hydrants, what is the fire flow requirement? 1000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
☒ Yes                      ☐ No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
☒ Yes                      ☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
☐ Yes                      ☒ No

If yes, provide the GPCPD amount: \_\_\_\_\_

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

COMPANY NAME: FARMERS WATER CO.	9/30/07
Name of System: ADEQ Public Water System Number:	PWS 10414

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007**  
**SAHUARITA HIGHLANDS**

W-11

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
OCTOBER 2006	17	97	56	--
NOVEMBER	17	100	--	--
DECEMBER	21	173	52	--
JANUARY 2007	18	68	48	--
FEBRUARY	18	25	77	--
MARCH	18	62	49	--
APRIL	19	37	79	--
MAY	21	43	181	--
JUNE	23	45	139	--
JULY	25	52	104	--
AUGUST	25	86	185	--
SEPTEMBER	26	186	89	--
		974	1,059	

What is the level of arsenic for each well on your system? 6.1 ppb      mg/l  
*(If more than one well, please list each separately.)*

If system has fire hydrants, what is the fire flow requirement? 1000 GPM for 2 hrs

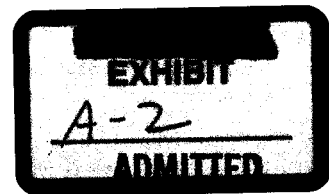
If system has chlorination treatment, does this treatment system chlorinate continuously?  
☒ (X) Yes                      ☐ ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
☒ (X) Yes                      ☐ ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
☐ ( ) Yes                      ☒ (X) No

If yes, provide the GPCPD amount:                                     

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***



1                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2  
3                   **COMMISSIONERS**

4                   KRISTIN K. MAYES—Chairman  
5                   GARY PIERCE  
6                   PAUL NEWMAN  
7                   SANDRA D. KENNEDY  
8                   BOB STUMP

9                   IN THE MATTER OF THE APPLICATION  
10                  OF FARMERS WATER CO., AN ARIZONA  
11                  CORPORATION, FOR A  
12                  DETERMINATION OF THE CURRENT  
13                  FAIR VALUE OF ITS UTILITY PLANT  
14                  AND PROPERTY AND FOR INCREASES  
15                  IN ITS RATES AND CHARGES FOR  
16                  UTILITY SERVICE.

DOCKET NO. W-01654A-08-0502

17                   **CORRECTED REBUTTAL TESTIMONY OF THOMAS J. BOURASSA**

18                   **ON BEHALF OF**

19                   **FARMERS WATER COMPANY**

20                   **RATE BASE, INCOME STATEMENT,**  
21                   **REVENUE REQUIREMENT, RATE DESIGN**

22                   **September 25, 2009**  
23  
24  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**TABLE OF CONTENTS**

I.	INTRODUCTION AND QUALIFICATIONS.....	1
II.	REVENUE REQUIREMENT.....	2
III.	RATE BASE.....	3
IV.	INCOME STATEMENTS.....	4
V.	RATE DESIGN (H SCHEDULES).....	11



1 **I. INTRODUCTION AND QUALIFICATIONS**

2  
3 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

4 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,  
5 Phoenix, Arizona 85029.  
6

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

8 A. On behalf of the applicant, Farmers Water Company ("Farmers" or the  
9 "Company").  
10

11 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**  
12 **INSTANT CASE?**

13 A. Yes. My direct testimony was submitted in support of the initial application filed  
14 in this matter.  
15

16  
17 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

18 A. I will provide rebuttal testimony in response to the direct filing by Arizona  
19 Corporation Commission Utilities Division Staff ("Staff"). More specifically, my  
20 rebuttal testimony relates to the determination of operating income, rate base,  
21 income statement and rate design.  
22

23 **Q. WHAT IS THE REVENUE REQUIREMENT ADJUSTMENT THAT THE**  
24 **COMPANY IS PROPOSING IN ITS REBUTTAL FILING?**  
25  
26

1 A. The Company is requesting an increase in revenues of \$196,121, an increase of  
2 34.82 percent for a total revenue requirement of \$759,404.

3  
4 **Q. HOW DOES THIS COMPARE WITH THE REVENUE REQUIREMENT**  
5 **PROPOSED BY THE COMPANY IN ITS DIRECT TESTIMONY?**

6 A. In the direct filing, the Company requested an increase in revenues of \$200,072,  
7 an increase of 35.52% for a total revenue requirement of \$763,355.

8  
9 **Q. WHY IS THE REVENUE REQUIREMENT IN THIS REBUTTAL**  
10 **TESTIMONY LOWER THAN IN THE DIRECT TESTIMONY**

11 A. The Company has adopted a number of adjustments recommended by Staff, as  
12 well as proposed a number of adjustments of its own. The Company continues to  
13 propose a 10% operating margin as the Company's rate base is negative and a rate  
14 of return approach would not be meaningful. Farmer's rebuttal Original Cost Rate  
15 Base ("OCRB") and Fair Value Rate Base ("FVRB") have not changed from its  
16 direct filing. The OCRB is \$ (748,646). The Company continues to request that  
17 its OCRB be treated as its FVRB.

18  
19 **II. REVENUE REQUIREMENT**

20  
21 **Q. WHAT ARE THE REVENUE REQUIREMENTS AND RATE INCREASES**  
22 **FOR THE COMPANY AND STAFF?**

23 A. The proposed revenue requirements and proposed rate increases are as follows:  
24  
25

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
Company-Direct	\$ 763,355	\$ 200,072	35.52%
Staff	\$ 710,333	\$ 147,050	26.11%
Company Rebuttal	\$ 759,404	\$ 196,121	34.82%

**Q. WHAT IS THE COMPANY'S PROPOSED OPERATING MARGIN?**

**A.** The Company is proposing an operating margin 10.00%. This is at the low end of the range (10% to 20%) typically recommended by Staff in cases where an operating margin approach is utilized to determine the revenue requirement. Staff also proposes a 10% percent operating margin.<sup>1</sup>

### **III. RATE BASE**

**Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING?**

**A.** The rate bases proposed by all parties in the case are as follows:

	<u>OCRB</u>	<u>FVRB</u>
Company-Direct	\$(748,646)	\$(748,646)
Staff	\$(748,646)	\$(748,646)
Company Rebuttal	\$(748,646)	\$(748,646)

<sup>1</sup> See Direct Testimony of Charles R. Myhlousen ("Myhlousen Direct") at 4.

1 Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED OCRB,  
2 AND IDENTIFY ANY ADJUSTMENTS THAT YOU HAVE ACCEPTED  
3 FROM STAFF?

4 A. Yes. Staff has not proposed any adjustments to the Company's OCRB. Both the  
5 Company and Staff are in agreement on the rate base.  
6  
7

8 IV. INCOME STATEMENT  
9

10 Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED  
11 ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY  
12 ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

13 A. The Company rebuttal adjustments are detailed on rebuttal schedule C-2, pages  
14 1-6. The rebuttal income statement with adjustments is shown on rebuttal  
15 schedule C-1, pages 1 and 2.  
16

17 In rebuttal C-2 adjustment number 1, the depreciation expense is annualized.  
18 Depreciation expense has decreased from the Company's direct filing reflecting a  
19 correction to the amortization of contributions-in-aid of construction ("CIAC")  
20 based on the Staff testimony.<sup>2</sup> Both Staff and the Company propose the same  
21 level of depreciation expense.  
22

23 Q. DO ALL PARTIES RECOMMEND THE SAME DEPRECIATION RATES?

24 A. Yes.  
25

---

<sup>2</sup> Myhlhousen Direct at 7.

1  
2 **Q. PLEASE CONTINUE.**

3 A. Rebuttal C-2 adjustment number 2 reflects the adjustment to property taxes using  
4 the Company's rebuttal proposed revenues. The Company and Staff are in  
5 agreement on the method of computing property taxes. This is the same method  
6 that the Commission has consistently used in past cases.<sup>3</sup> This method includes  
7 two years of adjusted revenues plus one year of proposed revenues. Using this  
8 methodology, I computed the property taxes based on the Company's proposed  
9 rebuttal revenues. I have modified the property tax rate and assessment ratio to  
10 match Staff so the reason for the difference in property taxes is due the difference  
11 between the Company and Staff proposed revenues in the instant case.

12  
13 Rebuttal C-2 adjustment number 3 increases water testing expense services reflect  
14 the Company's adoption of Staff's proposed adjustment.<sup>4</sup>

15  
16 Rebuttal C-2 adjustment number 4 reduces repairs and maintenance expense to  
17 reflect the Company's adoption of the level of repairs and maintenance proposed  
18 by Staff. The level of repairs and maintenance proposed by Staff is a 3-year  
19 historical average of repairs and maintenance.<sup>5</sup> While I generally disagree with  
20 the use of averages because averages are not known and measurable and are  
21 highly subjective, the Company has adopted Staff's proposal to help minimize  
22 disputes between the parties.

23  
24  
25 <sup>3</sup> See Direct Testimony of Thomas J. Bourassa ("Bourassa Direct") at 10.

<sup>4</sup> Myhlhausen Direct at 6.

<sup>5</sup> *Id.* at 7.

1 Rebuttal C-2 adjustment number 5 reflects income taxes calculated at the  
2 Company's proposed revenue and expense levels.

3  
4 **C. Salaries and Wages**

5 **Q. PLEASE COMMENT ON THE PROPOSAL OF STAFF TO DECREASE**  
6 **SALARIES AND WAGES.**

7 A. Staff proposes to decrease salaries and wages by \$14,586 because this amount  
8 consists of bonuses paid to employees and, since the Company lost money during  
9 the test year, bonuses are not appropriate.<sup>6</sup> The Company disagrees with Staff's  
10 proposal for two reasons. First, Staff "bonus" amount is too high and does not  
11 reflect the amount of "bonuses" actually recorded on the Company's books during  
12 the test year. There were only \$4,259 of "bonuses" recorded in test year salaries  
13 and wages. Secondly, as explained by Company witness Ms. Heather Triana,  
14 these "bonuses" are a regular part of the employee compensation and are not  
15 performance bonuses. These are part of the employee's normal compensation  
16 package and are non-discretionary.

17  
18 **Q. PLEASE EXPLAIN HOW THE COMPANY DERIVED ITS ANNUALIZED**  
19 **TEST YEAR WAGES AND SALARIES.**

20 A. Attached at Exhibit 1 is the Company's computation of annualized wages and  
21 salaries. As you will find in the column labeled as "bonus" there are only \$4,259  
22 of "bonus" payments and a total of 168,280 of regular wages. These two amounts  
23 were added to the test year wages to derive the 2007 total wages of \$172,479. At  
24

25  

---

<sup>6</sup> Myhlhousen Direct at 5.

1 the bottom of the exhibit is a reconciliation of the recorded test year wages and  
2 salaries amount and the total 2007 wages in the schedule.

3  
4 During 2008, the Company provided to employees scheduled wage increases of  
5 5%. So, to annualize wages and salaries based on this known and measurable  
6 change to the test year, the 2007 total wages (including the so-called "bonuses")  
7 were increased by 5%. As shown, the total annualized wages were \$180,508.  
8 The \$180,508 is the amount of the Company's proposed wages and salaries. As a  
9 side note, the Company also proposed to re-class payroll taxes and worker's  
10 compensation insurance to the accounts Taxes Other than Income and Insurance –  
11 Worker's Compensation which had been recorded in the account Wages and  
12 Salaries.

13  
14 **Q. HOW DID STAFF DERIVE THE \$14,589?**

15 **A.** It is not entirely clear and I will leave it to Staff to explain. However, as shown in  
16 Exhibit 1 as well as the Company records, only \$4,259 of separately paid "bonus"  
17 wages were paid and were recorded on the books of the Company during the test  
18 year.

19  
20 **D. Rate Case Expense**

21 **Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON RATE CASE**  
22 **EXPENSE?**

23 **A.** Yes.  
24  
25

1 Q. PLEASE COMMENT ON STAFF'S TESTIMONY REGARDING  
2 "NORMALIZATION" VERSUS "AMORTIZATION" OF RATE CASE  
3 EXPENSE.

4 A. Staff asserts that rate case expense should be "normalized".<sup>7</sup> In other words, if a  
5 utility expends \$150,000 for rate case expense, the expense is normalized to  
6 \$30,000 annually using a 5 year normalization period, and the utility files for rate  
7 relief before the end of 5 years, the utility forfeits the amount of rate case expense  
8 that it did not recover through rates. The normalization approach penalizes the  
9 Company for seeking new rates before the end of the normalization period.

10  
11 Q. DO YOU AGREE WITH STAFF'S VIEW THAT A "NORMALIZED"  
12 AMOUNT OF RATE CASE EXPENSE SHOULD BE INCLUDED IN  
13 OPERATING EXPENSES?

14 A. No. Rate case expense is incurred outside the test year, paid for by the utility up-  
15 front for the specific purpose of obtaining rate relief, and is a non-typical or non-  
16 recurring expense. As a consequence rate case expense should be treated like a  
17 deferred regulatory asset. In fact, this is how rate case expense has been treated by  
18 Staff and the Commission in the past. Like other regulatory assets (e.g., plant-in-  
19 service), the costs of deferred regulatory assets are recovered over time.  
20 Presumably, if the amortization period for rate case expense (as with depreciation  
21 expense for plant-in-service) approximates the time between when new rates are  
22 set, the utility will recover the expense in full with neither an over collection nor  
23 under collection of the expense. If the Commission is concerned about over or  
24 under collection of rate case expense, it could approve a rate case expense  
25 surcharge which would cease when the utility fully recovers its expense.

---

<sup>7</sup> Myhlhousen Direct at 9.



1  
2 **E. Income Taxes**

3 **Q. PLEASE COMMENT ON THE PROPOSAL OF STAFF TO EXCLUDE**  
4 **INCOME TAXES IN THE DETERMINATION OF THE REVENUE**  
5 **REQUIREMENT.**

6 **A.** Staff proposes to exclude income taxes from the determination of the revenue  
7 requirement because Farmers is a Sub-Chapter "S" corporation and is a pass-  
8 through entity for income tax purposes.<sup>8</sup> Staff's argument rests on the fact that  
9 Farmers itself does not pay income taxes at the company level, rather the taxable  
10 income and tax liability passes through to its shareholders who must pay the tax.  
11 While it may be true that the Company itself does not pay taxes, the basis for  
12 Staff's exclusion of income taxes is without merit.

13  
14 Let me further explain. First, the income tax liability arises from the taxable  
15 income of Farmers and it is directly attributable to Farmers. And while the tax  
16 liability flows through to the shareholders, the Company still pays the tax by  
17 reimbursing the shareholder for the tax that must be paid. In fact, there exists an  
18 agreement between Farmers and its shareholders that an amount that is at least  
19 equal to the sum of (a) a percentage of its earnings and profits (as determined for  
20 Federal Income tax purposes) that is the same as the highest Federal and Arizona  
21 income tax rate on ordinary income for individuals and (b) a percentage of its net  
22 long-term capital gains and net gains for the sale or exchange of assets, the gain  
23 from which are taxable under Code Section 1231, which is the same as the highest  
24 Federal and Arizona income tax rate on such gains for individuals attributed and

25  

---

<sup>8</sup> Myhlhousen Direct at 8.

1 arising from Farmers must be paid by Farmers. Third, the required operating  
2 income for a tax pass-through entity such as an S-Corp is not the same as that for a  
3 C-Corp under Staff recommendation resulting in an S-Corp's being treated  
4 differently when there is no sound justification to do so. An S-Corp receives a  
5 lower revenue requirement and operating income than a C-Corp resulting in  
6 inequities because payment for the tax must come from somewhere. Ultimately  
7 the tax payment comes from the S-Corp itself because shareholders insure their  
8 taxes are paid by the entities that generate them. In fact, the situation is analogous  
9 to a subsidiary C-Corp utility of a parent holding company whose tax return is  
10 consolidated with the parent. The individual C-Corp utility does not file a separate  
11 tax return, yet this Commission has traditionally allowed income taxes of the  
12 utility to be computed on a stand-alone basis and included in the revenue  
13 requirement. Fourth, rate payers receive an unjustified windfall from the lower  
14 revenue requirement and operating income when income taxes are excluded.

15  
16 Finally, rate making should be applied in a manner which produces reasonable,  
17 realistic and non-discriminatory results no matter what the legal form of the utility  
18 is. Inclusion or exclusion of income taxes should not be limited to technical  
19 distinctions, rather it should be based on whether it is fair and does not  
20 discriminate. The income taxes required to be paid by shareholders of an S-Corp  
21 on a utility's income are inescapable business outlays that are directly attributed to  
22 the utility and are directly comparable with similar taxes paid by C corporations.

23  
24 **Q. WHAT THEN IS THE ADVANTAGE OF A TAX PASS-THROUGH**  
25 **ENTITY VERSUS A NON-TAX PASS THROUGH ENTITY?**

1 A. Shareholders in an S-Corp avoid double taxation. A C-Corp is taxed on income  
2 and its shareholders are taxed on the dividends received. However, the distinction  
3 does not disadvantage rate payers. To the extent shareholders of S-Corp's avoid  
4 taxation on dividends, rate payers are not harmed. After all, it's the shareholders  
5 who pay the tax on dividends from C-Corps, not the rate payers. Taxes on  
6 dividends are not considered as part of the revenue requirement.

7  
8 A second advantage of a tax pass-through entity is that net losses (as well as net  
9 income) pass-through to the owners. A tax pass through entity is a particularly  
10 attractive form for start-up companies (e.g., utilities with new CC&N's) because  
11 the tax losses can be taken advantage of immediately by the owners who typically  
12 have to subsidize the company in the early years with income from their other  
13 sources. This can improve the ability to raise capital from the owners for start-ups  
14 as they can then take advantage of the tax losses immediately. But, regardless, the  
15 ratepayer is not disadvantaged in anyway. Rather there is a more likely chance of  
16 a healthier "start-up" utility as a result. And a healthy utility is always a benefit to  
17 ratepayers and in the public interest.

18  
19 V. **RATE DESIGN (H SCHEDULES)**

20  
21 Q. **WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES?**

22 A. The monthly charges at proposed rates are listed below.

Meter Size (All Classes)	Monthly Minimum	Gallons included in Monthly Minimum
5/8	\$ 8.26	0

1	3/4	\$ 8.26	0
2	1	\$ 10.32	0
3	1 1/2	\$ 20.64	0
4	2	\$ 33.02	0
5	3	\$ 66.04	0
6	4	\$ 103.19	0
7	6	\$ 206.38	0

The Company's proposed commodity charges and tiers by meter size are:

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
5/8 and 3/4 - Residential	1 to 4,000	\$ 1.45
	4,001 to 10,000	\$ 1.92
	Over 10,000	\$ 2.49
5/8 and 3/4 - Com., Ind.	1 to 10,000	\$ 1.92
	Over 10,000	\$ 2.49
1 - Res., Com., Ind., MF	1 to 12,500	\$ 1.92
	Over 12,500	\$ 2.49
1 1/2 - Res., Com., Ind., MF	1 to 25,000	\$ 1.92
	Over 25,000	\$ 2.49
2 - Res., Com., Ind., MF	1 to 40,000	\$ 1.92
	Over 40,000	\$ 2.49
3 - Res., Com., Ind., MF	1 to 80,000	\$ 1.92

	Over 80,000	\$ 2.49
4 - Res.,Com., Ind., MF	1 to 125,000	\$ 1.92
	Over 125,000	\$ 2.49
6 - Res.,Com., Ind., MF	1 to 250,000	\$ 1.92
	Over 250,000	\$ 2.49

(Res. = Residential, Com. = Commercial, Ind. = Industrial, MF = Multi-family)

The proposed standpipe rate and bulk water rate is \$ 2.49 per 1,000 gallons.

**Q. HOW DOES THE COMPANY PROPOSED RATE DESIGN COMPARE TO STAFF?**

A. Both Staff and the Company propose very similar rate designs. The 5/8 inch and 3/4 residential meters have an inverted three tier rate design. The 5/8 inch and 3/4 inch commercial and irrigation meters have an inverted two tier design. The 1 inch and larger meters have a two tier rate design. The monthly minimums for the 5/8 inch and 3/4 inch meter sizes are the same and the larger meter sizes are half-scaled on the relative flows of a 5/8 inch meter under Staff and the Company's rate designs. Also, the proposed break-over points for the various meter sizes and classes are the same.

The primary difference in the rate designs is that the Company proposes monthly minimums for standpipe service (construction water and bulk) based on the meter size. For example, the 2 inch standpipe service has a proposed monthly minimum of \$33.02 which is the proposed monthly minimum for a 2 inch meter. Staff does

1 not propose monthly minimums for standpipe service.

2  
3 **Q. ARE THERE ANY DISPUTES BETWEEN STAFF AND THE COMPANY**  
4 **ON THE COMPANY PROPOSED MISCELLANEOUS CHARGES AND**  
5 **METER AND SERVICE LINE INSTALLATION CHARGES?**

6 A. Staff is recommending that deposit interest of 6 percent while the Company's  
7 rebuttal recommendation is to lower it to 2 percent. The Company believes a 6  
8 percent rate is too high given the low interest rates currently provided by banks on  
9 certificates of deposits ("CD") and money markets.

10  
11 **Q. WHAT ARE CURRENT CD RATES?**

12 A. The current annual yield on a 5 year CD's is 2.66 percent (Wall Street Journal,  
13 September 3, 2009). The current annual yield on a 6 month CD is 0.36 percent  
14 (Federal Reserve, September 1, 2009. Finally, the current annual yield on the  
15 money market is 1.16 percent (Wall Street Journal, September 3, 2009)

16  
17 **Q. PLEASE CONTINUE.**

18 A. The Company has proposed a \$50 meter box re-inspection fee whereas Staff has  
19 proposed the charge be at cost. The \$50 fee proposed by the Company is based  
20 on cost and it would be simpler to have one stated fee than to track the employee  
21 time, gas, and wear and tear on transportation equipment for each instance.

22  
23 **Q. WHY IS THE COMPANY PROPOSING THIS FEE?**

24 A. The Company provides one "free" new meter inspection during each of the three  
25 construction phases but has to re-inspect the meter when damage occurs after the  
inspection and the meter is subsequently repaired. Besides recovery of underlying

1 service costs, another purpose of this fee is to deter unnecessary damage to meters  
2 during the construction of new homes and after the meter has been inspected.  
3

4 **Q. DO THE COMPANY AND STAFF AGREE ON THE COMPANY**  
5 **PROPOSED METER AND SERVICE LINE INSTALLAION CHARGES?**

6 A. Yes. Staff and the Company's proposed charges are the same. I would note,  
7 however, that the present charges set forth on Staff Schedule CRM-12 are  
8 incorrect.

9 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

10 A. Yes.

11 10562515.5  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

# **EXHIBIT A**



**Farmers Water Co.**  
Salaries and Wages Annualization

Exhibit 1

Line No.	Name	Position	2007 Base Wages	2007 Bonus	2007 Total Wages	2008 Wage Increase	Annualized Wages	FICA 6.20%	Medicare 1.45%	Unempl. Fed 0.80%	Unempl. State 2.70%	Total
1	XXXXXXXXXXXX	CEO	\$ 50,000	\$ -	\$ 50,000	5%	\$ 52,500	\$ 3,255	\$ 761	\$ 56	\$ 189	\$ 4,261
2	XXXXXXXXXXXX	General Manager	50,289	1,860	52,149	5%	54,756	3,395	794	56	189	4,434
3	XXXXXXXXXXXX	Field Tech	33,461	1,231	34,692	5%	36,427	2,258	528	56	189	3,032
4	XXXXXXXXXXXX	Meter Reader	24,989	843	25,832	5%	27,124	1,682	393	56	189	2,320
5	XXXXXXXXXXXX	Secretary	7,180	325	7,505	5%	7,880	489	114	56	189	848
6	XXXXXXXXXXXX	Other Misc Wages	480	-	480	-	-	-	-	56	189	245
7	Totals		\$ 166,399	\$ 4,259	\$ 170,658		\$ 178,667	\$ 11,079	\$ 2,591	\$ 336	\$ 1,134	\$ 15,140
8	Employee Wages Other (housing)		\$ 1,821		\$ 1,821		\$ 1,821					
9	Totals		\$ 168,220	\$ 4,259	\$ 172,479		\$ 180,508					
10	Total Annualized Wages				\$ 180,508							
11	Wages During Test Year				\$ 172,479							
12	Increase in Salaries and Wages (C-2 Adjustment 8a in Direct Filing)				\$ 8,029							
13	Total Annualized PR taxes				\$ 15,140							
14	PR taxes During Test Year				\$ 13,398							
15	Increase in PR Taxes (C-2 Adjustment 8b in Direct Filing)				\$ 1,741							
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30												
31												
32												
33												
34												
35												
36												
37												
38												
39												
40												

**Reconciliation of Test Year Salaries and Wages**

Salaries and Wages (from line 12 above)	\$ 172,479
Payroll Taxes (see adjusted TY Taxes Other than Income and C-2 Adjustment 8a in Direct)	13,398
Worker's Compensation (see adjusted TY Insurance - Worker's Comp. and C-2 Adjustment 7b)	7,832
Actual Wages and Salaries Per Direct Schedule C-1	\$ 193,709
Actual Test Year Wages and Salaries Per Direct Schedule C-1	\$ 193,709
Adjusted Test Year Wages and Salaries per Direct C-1	\$ 180,508
Total Adjustments (see C-2 Adjustments 6a, 7a, and 8a)	\$ 13,201

**Farmers Water Company**  
**Test Year Ended September 30, 2007**  
**Computation of Increase in Gross Revenue**  
**Requirements As Adjusted**

**Exhibit**  
**Rebuttal Schedule A-1**  
**Page 1**  
**Witness: Bourassa**

Line  
No.

1	Fair Value Rate Base	\$	(748,646)
2			
3	Adjusted Operating Income		(66,523)
4			
5	Current Rate of Return		NM
6			
7	Required Operating Income	\$	75,940
8			
9	Proposed Operatin Margin		10.00%
10			
11	Operating Income Deficiency	\$	142,464
12			
13	Gross Revenue Conversion Factor		1.3766
14			
15	Increase in Gross Revenue Revenue Requirement	\$	196,121
16			
17	Test Year Revenues	\$	563,283
18	Increase in Gross Revenue Revenue Requirement	\$	196,121
19	Proposed Revenue Requirement	\$	759,404
20	Percent Increase		34.82%
21			

22	Customer	Present	Proposed	Dollar	Percent
23	Classification	Rates	Rates	Increase	Increase
24	5/8 Inch Residential	\$ 319,061	\$ 414,140	\$ 95,079	29.80%
25	1 Inch Residential	59,415	79,208	19,791	33.31%
26	5/8 Inch Commerical	4,826	6,559	1,933	41.79%
27	1 Inch Commerical	4,046	5,610	1,564	38.65%
28	1.5 Inch Commerical	4,162	5,934	1,772	42.59%
29	2 inch Commerical	19,492	27,946	8,454	43.37%
30	3 Inch Commerical	2,511	3,977	1,467	58.41%
31	1.5 Inch Multi-family	6,572	9,395	2,823	42.95%
32	2 Inch Multi-family	53,791	77,762	23,972	44.56%
33	6 Inch Multi-family	14,214	21,723	7,509	52.82%
34	5/8 Inch Industrial	801	1,107	306	38.19%
35	1 Inch Industrial	4,142	6,101	1,960	47.32%
36	4 Inch Industrial	26,243	39,410	13,167	50.17%
37	2 Inch Standpipe	10,271	19,881	9,610	93.57%
38	6 Inch Standpipe	1,867	5,361	3,495	187.23%
39	Subtotal	\$ 531,212	\$ 724,112	\$ 192,899	36.31%
40	Revenue Annualization	19,125	23,176	4,051	21.18%
41	Miscellaneous Service Revenues	7,790	7,790	-	0.00%
42	Revenue Annualization Misc. Revenues	4,295	4,295	-	0.00%
43	Reconciling Difference (C-1 and H-1)	861	31	(830)	-96.40%
44	Total of Water Revenues	\$ 563,283	\$ 759,404	\$ 196,121	34.82%

**SUPPORTING SCHEDULES:**

48 Rebuttal B-1  
49 Rebuttal C-1  
50 Rebuttal C-3  
51 Rebuttal H-1  
52

Farmers Water Company  
Test Year Ended September 30, 2007  
Summary of Rate Base

Exhibit  
Rebuttal Schedule B-1  
Page 1  
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 8,630,976	\$ 8,630,976
3	Less: Accumulated Depreciation	2,039,595	2,039,595
4			
5	Net Utility Plant in Service	\$ 6,591,381	\$ 6,591,381
6			
7	Less:		
8	Advances in Aid of		
9	Construction	6,874,915	6,874,915
10	Contributions in Aid of		
11	Construction	576,492	576,492
12	Accumulated Amortization of CIAC	(111,381)	(111,381)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16		-	-
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Regulatory Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	\$ (748,646)	\$ (748,646)
27			
28			
29			
30	<u>SUPPORTING SCHEDULES:</u>		
31	Rebuttal B-2		
32	Rebuttal B-5		
33			
34			
35			

**Farmers Water Company**  
Test Year Ended September 30, 2007  
Original Cost Rate Base Proforma Adjustments

Exhibit  
Rebuttal Schedule B-2  
Page 1  
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustments Amount	Rebuttal Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 8,630,976	-	\$ 8,630,976
3				
4	Less:			
5	Accumulated			
6	Depreciation	2,039,595	-	2,039,595
7				
8				
9	Net Utility Plant			
10	in Service	\$ 6,591,381		\$ 6,591,381
11				
12	Less:			
13	Advances in Aid of			
14	Construction	6,874,915	-	6,874,915
15				
16	Contributions in Aid of			
17	Construction (CIAC)	576,492	-	576,492
18				
19	Accumulated Amortization of CIAC	(111,381)	-	(111,381)
20				
21	Customer Meter Deposits	-	-	-
22	Deferred Income Taxes	-	-	-
23				
24				
25	Plus:			
26	Unamortized Finance			
27	Charges	-	-	-
28	Deferred Regulatory Assets	-	-	-
29	Allowance for Working Capital	-	-	-
30				
31	Total	<u>\$ (748,646)</u>		<u>\$ (748,646)</u>

SUPPORTING SCHEDULES:  
Rebuttal B-2, pages 2-3

RECAP SCHEDULES:  
Rebuttal B-1

## Page 2

Line	No.
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	

**Rebuttal B-2, pages 3**

[illegible]

Line No.	Plant-in-Service	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Intentionally Left Blank	B Intentionally Left Blank	Rebuttal Adjusted Accum. Depr.
1		301	Organization Cost	-	-	-	-
2		302	Franchise Cost	-	-	-	-
3		303	Land and Land Rights	-	-	-	-
4		304	Structures and Improvements	6,312	-	-	6,312
5		305	Collecting and Impounding Res.	323,736	-	-	323,736
6		306	Lake River and Other Intakes	269,905	-	-	269,905
7		307	Wells and Springs	-	-	-	-
8		308	Infiltration Galleries and Tunnels	-	-	-	-
9		309	Supply Mains	10,482	-	-	10,482
10		310	Power Generation Equipment	-	-	-	-
11		311	Electric Pumping Equipment	180,443	-	-	180,443
12		312	Water Treatment Equipment	-	-	-	-
13		313	Distrib. Reservoirs & Standpipe	873,694	-	-	873,694
14		314	Trans. and Distrib. Mains	166,418	-	-	166,418
15		315	Services	89,401	-	-	89,401
16		316	Meters	61,271	-	-	61,271
17		317	Hydrants	-	-	-	-
18		318	Backflow Prevention Devices	-	-	-	-
19		319	Other Plant and Misc. Equipment	-	-	-	-
20		320	Office Furniture and Fixtures	41,805	-	-	41,805
21		321	Transportation Equipment	16,127	-	-	16,127
22		322	Stores Equipment	-	-	-	-
23		323	Tools and Work Equipment	-	-	-	-
24		324	Laboratory Equipment	-	-	-	-
25		325	Power Operated Equipment	-	-	-	-
26		326	Communications Equipment	-	-	-	-
27		327	Miscellaneous Equipment	-	-	-	-
28		328	Other Tangible Plant	-	-	-	-
29		329	TOTALS	\$ 2,039,595	\$ -	\$ -	\$ 2,039,595
30		330	Accumulated Depreciation per Direct	-	-	-	\$ 2,039,595
31		331	Increase (decrease) in Plant-in-Service	-	-	-	\$ -
32		332	Adjustment to Plant-in-Service	-	-	-	\$ -
33		333	SUPPORTING SCHEDULES	-	-	-	-
34		334	Direct B-2	-	-	-	-

**Farmers Water Company**  
Test Year Ended September 30, 2007  
Computation of Working Capital

Exhibit  
Rebuttal Schedule B-5  
Page 1  
Witness: Bourassa

Line  
No.

1	Cash Working Capital (1/8 of Allowance	
2	Operation and Maintenance Expense)	\$ 45,345
3	Pumping Power (1/24 of Pumping Power)	-
4	Purchased Water (1/24 of Purchased Water)	725
5	Prepays/Deferred Debits	(703)
6	Materials & Supplies	-
7		
8		
9	Total Working Capital Allowance	<u>\$ 45,367</u>
10		
11		
12	Working Capital Requested	<u>\$ -</u>
13		
14		
15	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
16		Rebuttal B-1
17		



**Farmers Water Company**  
**Test Year Ended September 30, 2007**  
**Income Statement**

Exhibit  
Rebuttal Schedule C-1  
Page 1  
Witness: Bourassa

Line No.		Direct Test Year Adjusted Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	<b>Revenues</b>					
2	Metered Water Revenues	\$ 551,198	\$ -	\$ 551,198	\$ 196,121	\$ 747,319
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	12,085	-	12,085	-	12,085
5		<u>\$ 563,283</u>	<u>\$ -</u>	<u>\$ 563,283</u>	<u>\$ 196,121</u>	<u>\$ 759,404</u>
6	<b>Operating Expenses</b>					
7	Salaries and Wages	\$ 180,508	-	\$ 180,508	-	\$ 180,508
8	Purchased Water	-	-	-	-	-
9	Purchased Power	17,400	-	17,400	-	17,400
10	Chemicals	-	-	-	-	-
11	Repairs and Maintenance	76,477	(10,764)	65,713	-	65,713
12	Office Supplies and Expense	15,427	-	15,427	-	15,427
13	Outside Services	15,105	-	15,105	-	15,105
14	Water Testing	11,154	365	11,519	-	11,519
15	Rents	-	-	-	-	-
16	Transportation Expenses	2,018	-	2,018	-	2,018
17	Insurance - General Liability	3,317	-	3,317	-	3,317
18	Insurance - Worker's Comp.	7,832	-	7,832	-	7,832
19	Insurance - Health and Life	22,691	-	22,691	-	22,691
20	Reg. Commission Exp. - Rate Case	15,000	-	15,000	-	15,000
21	Miscellaneous Expense	8,494	-	8,494	-	8,494
22	Depreciation Expense	240,272	(1,687)	238,585	-	238,585
23	Taxes Other Than Income	15,140	-	15,140	-	15,140
24	Property Taxes	27,334	8,779	36,113	-	36,113
25	Income Tax	(25,727)	672	(25,055)	53,658	28,602
26						
27	<b>Total Operating Expenses</b>	<u>\$ 632,441</u>	<u>\$ (2,635)</u>	<u>\$ 629,806</u>	<u>\$ 53,658</u>	<u>\$ 683,464</u>
28	<b>Operating Income</b>	<u>\$ (69,159)</u>	<u>\$ 2,635</u>	<u>\$ (66,523)</u>	<u>\$ 142,464</u>	<u>\$ 75,940</u>
29	<b>Other Income (Expense)</b>					
30	Interest Income	-	-	-	-	-
31	Other income	-	-	-	-	-
32	Gain on Disposal Fixed Assets	-	-	-	-	-
33	Interest Expense	-	-	-	-	-
34	Other Expense	-	-	-	-	-
35						
36	<b>Total Other Income (Expense)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
37	<b>Net Profit (Loss)</b>	<u>\$ (69,159)</u>	<u>\$ 2,635</u>	<u>\$ (66,523)</u>	<u>\$ 142,464</u>	<u>\$ 75,940</u>

**SUPPORTING SCHEDULES:**  
Rebuttal C-1 page 2

**RECAP SCHEDULES:**  
Rebuttal A-1

Farmers Water Company  
Test Year Ended September 30, 2007  
Income Statement

Exhibit  
Rebuttal Schedule C-1  
Page 2  
Witness: Bourassa

Line No.		Direct Test Year Adjusted Results	1 Depreciation Expense	2 Property Taxes	3 Water Testing	4 Repairs and Maintenance	5 Income Taxes	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	Revenues									
2	Metered Water Revenues	\$ 551,198						\$ 551,198	\$ 196,121	\$ 747,319
3	Unmetered Water Revenues	12,085						12,085		
4	Other Water Revenues	\$ 563,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 563,283	\$ 196,121	\$ 759,404
5										
6	Operating Expenses									
7	Salaries and Wages	\$ 180,508						\$ 180,508		\$ 180,508
8	Purchased Water									
9	Purchased Power	17,400						17,400		17,400
10	Chemicals									
11	Repairs and Maintenance	76,477			(10,764)			65,713		65,713
12	Office Supplies and Expense	15,427						15,427		15,427
13	Outside Services	15,105						15,105		15,105
14	Water Testing	11,154				365		11,519		11,519
15	Rents									
16	Transportation Expenses	2,018						2,018		2,018
17	Insurance - General Liability	3,317						3,317		3,317
18	Insurance - Worker's Comp.	7,832						7,832		7,832
19	Insurance - Health and Life	22,691						22,691		22,691
20	Reg. Commission Exp. - Rate Case	15,000						15,000		15,000
21	Miscellaneous Expense	8,494						8,494		8,494
22	Depreciation Expense	240,272	(1,687)					238,585		238,585
23	Taxes Other Than Income	15,140						15,140		15,140
24	Property Taxes	27,334		8,779				36,113		36,113
25	Income Tax	(25,727)					672	(25,055)	53,658	28,602
26										
27	Total Operating Expenses	\$ 632,441	\$ (1,687)	\$ 8,779	\$ (10,764)	\$ 365	\$ 672	\$ 629,806	\$ 53,658	\$ 683,464
28	Operating Income	\$ (68,159)	\$ 1,687	\$ (8,779)	\$ 10,764	\$ (365)	\$ (672)	\$ (66,523)	\$ 142,464	\$ 75,940
29	Other Income (Expense)									
30	Interest Income									
31	Other Income									
32	Gain on Disposal Fixed Assets									
33	Interest Expense									
34	Other Expense									
35										
36	Total Other Income (Expense)									
37	Net Profit (Loss)	\$ (68,159)	\$ 1,687	\$ (8,779)	\$ 10,764	\$ (365)	\$ (672)	\$ (66,523)	\$ 142,464	\$ 75,940
38										

RECAP SCHEDULES:  
Rebuttal C-1, page 1

SUPPORTING SCHEDULES:  
Rebuttal C-2

Farmers Water Company  
Test Year Ended September 30, 2007  
Adjustments to Revenues and Expenses

Exhibit  
Rebuttal Schedule C-2  
Page 1  
Witness: Bourassa

Line No.	1	2	3	4	5	6	Subtotal
	Depreciation Expense	Property Taxes	Repairs and Maintenance	Water Testing	Income Taxes	Blank	
1	(1,687)	8,779	365	(10,764)	672		(2,635)
2							
3							
4							
5							
6							
7							
8	1,687	(8,779)	(365)	10,764	(672)	-	2,635
9							
10							
11							
12							
13							
14							
15							
16							
17	1,687	(8,779)	(365)	10,764	(672)	-	2,635
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							

Line No.	7	8	9	10	11	12	Subtotal
	Blank	Blank	Blank	Blank	Blank	Blank	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							

Line No.	Depreciation Expense	Proforma Adjustments					
		1		2			
		Adjusted original Cost	Intentionally Left Blank	Intentionally Left Blank	Adjusted original Cost	Proposed Rates	Depreciation Expense
6	Acc'd Description	8,893			8,893	0.00%	-
7	301 Organization Cost					0.00%	-
8	302 Franchise Cost					0.00%	-
9	303 Land and Land Rights					0.00%	-
10	304 Structures and Improvements	14,565			14,565	3.33%	485
11	307 Wells and Springs	694,075			694,075	3.33%	23,113
12	311 Electric Pumping Equipment	289,905			289,905	3.33%	33,738
13	320 Water Treatment Equipment					12.50%	-
14	320.1 Water Treatment Plants					-	-
15	320.2 Chemical Solution Feeders	10,482			10,482	3.33%	-
16	330 Distribution Reservoirs & Standpipe					20.00%	2,098
17	330.1 Storage Tanks	467,978			467,978	-	-
18	330.2 Pressure Tanks					2.22%	10,389
19	331 Transmission and Distribution Main					5.00%	-
20	333 Services	5,821,757			5,821,757	2.00%	118,435
21	334 Meters	808,566			808,566	3.33%	28,859
22	335 Hydrants	198,942			198,942	8.33%	16,572
23	336 Backflow Prevention Devices	233,265			233,265	2.00%	4,665
24	339 Plant Structures and Improvements					6.67%	-
25	340 Office Furniture and Fixtures					6.67%	-
26	340.1 Computers and Software	54,488			54,488	20.00%	10,898
27	341 Transportation Equipment	52,080			52,080	20.00%	10,412
28	342 Stores Equipment					4.00%	-
29	343 Tools and Work Equipment					5.00%	-
30	344 Laboratory Equipment					10.00%	-
31	345 Power Operated Equipment					5.00%	-
32	346 Communications Equipment					10.00%	-
33	347 Miscellaneous Equipment					10.00%	-
34	348 Other Tangible Plant					3.33%	-
35	Subtotal Plant	\$ 8,830,976	\$ -	\$ -	\$ 8,830,976		\$ 255,662
36							
37							
38	Post Test Year plant						
39						0.00%	\$ -
40						0.00%	-
41						0.00%	-
42						0.00%	-
43	Total Plant	\$ 8,830,976	\$ -	\$ -	\$ 8,830,976		\$ 255,662
44							
45							
46	Less: Amortization of Contributions	\$ 576,492			\$ 576,492	2.9621%	\$ (17,077)
47							
48	Total Depreciation Expense						\$ 238,585
49							
50	Adjusted Test Year Depreciation Expense						240,272
51							(1,587)
52	Increase (decrease) in Depreciation Expense						\$ (1,587)
53							
54	Adjustment to Revenues and/or Expenses						\$ (1,587)
55							
56	SUPPORTING SCHEDULE						
57	Rebuttal B-2, page 3						

Farmers Water Company  
Test Year Ended September 30, 2007  
Adjustment to Revenues and/or Expenses  
Adjustment Number 2

Exhibit  
Rebuttal Schedule C-2  
Page 3  
Witness: Bourassa

Line  
No.

1	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
2		
3	Adjusted Revenues in year ended 09/30/2008	\$ 563,283
4	Adjusted Revenues in year ended 09/30/2008	563,283
5	Proposed Revenues	<u>759,404</u>
6	Average of three year's of revenue	\$ 628,656
7	Average of three year's of revenue, times 2	\$ 1,257,313
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>\$ 35,933</u>
12		
13	Full Cash Value	\$ 1,221,380
14	Assessment Ratio	<u>23%</u>
15	Assessed Value	280,917
16	Property Tax Rate	12.8467%
17		
18	Property Tax	36,089
19	Tax on Parcels	24
20		
21	Total Property Tax at Proposed Rates	<u>\$ 36,113</u>
22	Property taxes in the test year	<u>27,334</u>
23	Change in property taxes	<u>\$ 8,779</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ 8,779</u>
27		
28		

Farmers Water Company  
Test Year Ended September 30, 2007  
Adjustment to Revenues and/or Expenses  
Adjustment Number 3

Exhibit  
Schedule C-2  
Page 4  
Witness: Bourassa

Line  
No.

1

2

Water Testing Expense

3

4

Staff's Recommended Level of Water testing Expense

\$ 11,519

5

6

Adjusted Test Year Water Testing Expense

11,154

7

8

9

Increase(decrease) in Water Testing Expense

\$ 365

10

11

12

Adjustment to Revenue and/or Expense

\$ 365

13

14

SUPPORTING SCHEDULES

15

Staff Schedule CRM-8 - Operating Income Adjustment #3

16

17

18

19

20

Farmers Water Company  
Test Year Ended September 30, 2007  
Adjustment to Revenues and/or Expenses  
Adjustment Number 4

Exhibit  
Schedule C-2  
Page 5  
Witness: Bourassa

Line  
No.

1

2 Repairs and Maintenance

3

4 Staff's Recommended Level of Repairs & Maint. Expense

\$ 65,713

5

6 Adjusted Test Year Repairs and Maintenance

76,477

7

8

9 Increase(decrease) in Water Testing Expense

\$ (10,764)

10

11

12 Adjustment to Revenue and/or Expense

\$ (10,764)

13

14 SUPPORTING SCHEDULES

15 Staff Schedule CRM-7 - Operating Income Adjustment #2

16

17

18

19

20

21

22

23

24

25

**Farmers Water Company**  
**Test Year Ended September 30, 2007**  
**Adjustment to Revenues and/or Expenses**  
**Adjustment Number 5**

**Exhibit**  
**Rebuttal Schedule C-2**  
**Page 6**  
**Witness: Bourassa**

Line No.		Rebuttal Test Year Adjusted Results	Rebuttal Adjusted with Rate Increase
1	<u>Income Tax Computation</u>		
2			
3			
4			
5			
6			
7	Taxable Income	\$ (91,579)	\$ 104,543
8			
9	Taxable Income	<u>\$ (91,579)</u>	<u>\$ 104,543</u>
10			
11			
12			
13	Income Before Taxes	<u>\$ (91,579)</u>	<u>\$ 104,543</u>
14			
15	Arizona Income Before Taxes	\$ (91,579)	\$ 104,543
16			
17	Less Arizona Income Tax	<u>\$ (6,381)</u>	<u>\$ 7,285</u>
18	Rate = 6.97%		
19	Arizona Taxable Income	\$ (85,197)	\$ 97,258
20			
21	Arizona Income Taxes	\$ (6,381)	\$ 7,285
22			
23	Federal Income Before Taxes	\$ (91,579)	\$ 104,543
24			
25	Less Arizona Income Taxes	<u>\$ (6,381)</u>	<u>\$ 7,285</u>
26			
27	Federal Taxable Income	<u>\$ (85,197)</u>	<u>\$ 97,258</u>
28			
29			
30			
31	FEDERAL INCOME TAXES:		
32	15% BRACKET	\$ (12,780)	\$ 7,500
33	25% BRACKET	\$ -	\$ 6,250
34	34% BRACKET	\$ -	\$ 7,588
35	39% BRACKET	\$ -	\$ -
36	34% BRACKET	\$ -	\$ -
37			
38	Federal Income Taxes	<u>\$ (12,780)</u>	<u>\$ 21,318</u>
39			
40			
41	Total Income Tax	<u>\$ (19,161)</u>	<u>\$ 28,602</u>
42			
43	Overall Tax Rate	<u>20.92%</u>	<u>27.36%</u>
44			
45	Computed Income Tax at Proposed Rates Effective Rate	\$ (25,055)	
46			
47	Direct Adjusted Income Taxes	<u>(25,727)</u>	
48			
49	Increase (Decrease) in Income Tax Expense	<u>\$ 672</u>	
50			



**Farmers Water Company**  
**Test Year Ended September 30, 2007**  
**Computation of Gross Revenue Conversion Factor**

**Exhibit**  
**Rebuttal Schedule C-3**  
**Page 1**  
**Witness: Bourassa**

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	20.39%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	27.36%
9		
10	Operating Income % = 100% - Tax Percentage	72.64%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.3766
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		Rebuttal A-1
20		

Farmers Water Company  
Test Year Ended September 30, 2007  
Summary of Cost of Capital

Exhibit  
Rebuttal Schedule D-1  
Page 1  
Witness: Bourassa

Line No.		End of Test Year				End of Projected Year			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
5	Item of Capital								
6	Short-Term Debt	\$ -	0.00%	0.00%	0.00%	\$ -	0.00%	0.00%	0.00%
7									
8	Long-Term Debt	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%
9									
10	Stockholder's Equity	260,593	100.00%	NM	0.00%	336,534	100.00%	NM	0.00%
11									
12	Totals	\$ 260,593	100.00%		0.00%	\$ 336,534	100.00%		0.00%
13									
14									
15									
16									
17									

SUPPORTING SCHEDULES:

Direct D-1  
Direct B-2

RECAP SCHEDULES:

Farmers Water Co.  
Test Year Ended September 30, 2007  
Revenue Summary  
With Annualized Revenues to Year End Number of Customers

Exhibit  
Rebuttal Schedule H-1  
Page 1  
Witness: Bourassa

Line No.	Meter Size		Company Present Revenues	Company Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	\$ 319,061	\$ 414,140	\$ 95,079	29.80%	56.64%	54.53%
2	1 Inch	Residential	59,415	79,206	19,791	33.31%	10.55%	10.43%
3		Subtotal	\$ 378,476	\$ 493,345	\$ 114,869	30.35%	67.19%	64.96%
4								
5	5/8 Inch	Commercial	\$ 4,828	\$ 6,559	\$ 1,933	41.79%	0.82%	0.86%
6	1 Inch	Commercial	4,046	5,610	1,564	38.65%	0.72%	0.74%
7	1.5 Inch	Commercial	4,162	5,934	1,772	42.59%	0.74%	0.78%
8	2 Inch	Commercial	19,492	27,946	8,454	43.37%	3.48%	3.68%
9	3 Inch	Commercial	2,511	3,977	1,467	58.41%	0.45%	0.52%
10		Subtotal	\$ 34,837	\$ 50,027	\$ 15,190	43.60%	6.18%	6.59%
11								
12	1.5 Inch	Multi-Family	\$ 6,572	\$ 9,395	\$ 2,823	42.95%	1.17%	1.24%
13	2 Inch	Multi-Family	53,791	77,762	23,972	44.56%	9.55%	10.24%
14	6 Inch	Multi-Family	14,214	21,723	7,509	52.82%	2.52%	2.86%
15		Subtotal	\$ 74,577	\$ 108,880	\$ 34,303	46.00%	13.24%	14.34%
16								
17	5/8 Inch	Industrial	\$ 801	\$ 1,107	\$ 306	38.19%	0.14%	0.15%
18	1 Inch	Industrial	4,142	6,101	1,960	47.32%	0.74%	0.80%
19	4 Inch	Industrial	26,243	39,410	13,167	50.17%	4.66%	5.19%
20		Subtotal	\$ 31,186	\$ 46,618	\$ 15,432	49.49%	5.54%	6.14%
21								
22	2 Inch	Standpipe	\$ 10,271	\$ 19,881	\$ 9,610	93.57%	1.82%	2.62%
23	6 Inch	Standpipe	1,867	5,361	3,495	187.23%	0.33%	0.71%
24		Subtotal	12,137	25,242	13,105	107.97%	2.15%	3.32%
25								
26								
27	Total Revenues before Annualization		\$ 531,212	\$ 724,112	\$ 192,899	36.31%	94.31%	95.35%
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Revenue Summary**  
**With Annualized Revenues to Year End Number of Customers**

**Exhibit**  
**Rebuttal Schedule H-1**  
**Page 2**  
**Witness: Bourassa**

Line No.	Meter Size		Revenue Annualization			Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
			Present Revenues	Proposed Revenues	Dollar Change			
1	5/8 inch	Residential	\$ 12,134	\$ 15,258	\$ 3,124	25.75%	2.15%	2.01%
2	1 inch	Residential	6,675	8,749	2,074	31.06%	1.185%	1.152%
3		Subtotal	\$ 18,809	\$ 24,007	\$ 5,198	27.64%	3.34%	3.16%
4								
5	5/8 inch	Commercial	\$ 15	\$ 21	\$ 6	38.95%	0.00%	0.00%
6	1 inch	Commercial	49	64	15	29.91%	0.01%	0.01%
7	1.5 inch	Commercial	(492)	(689)	(198)	40.22%	-0.09%	-0.09%
8	2 inch	Commercial	187	256	69	37.02%	0.03%	0.03%
9	3 inch	Commercial	-	-	-	0.00%	0.000%	0.000%
10		Subtotal	\$ (240)	\$ (348)	\$ (108)	44.93%	-0.043%	-0.046%
11								
12	1.5 inch	Multi-Family	\$ 958	\$ 1,335	\$ 377	39.39%	0.170%	0.176%
13	2 inch	Multi-Family	2,114	2,983	869	41.12%	0.38%	0.39%
14	6 inch	Multi-Family	-	-	-	0.00%	0.000%	0.000%
15		Subtotal	\$ 3,072	\$ 4,319	\$ 1,247	40.58%	0.545%	0.569%
16								
17	5/8 inch	Industrial	\$ 53	\$ 73	\$ 20	37.58%	0.01%	0.01%
18	1 inch	Industrial	(560)	(815)	(255)	45.52%	-0.099%	-0.107%
19	4 inch	Industrial	-	-	-	0.00%	0.00%	0.00%
20		Subtotal	\$ (507)	\$ (742)	\$ (235)	46.35%	-0.09%	-0.10%
21								
22	2 inch	Standpipe	\$ (1,886)	\$ (3,687)	\$ (1,802)	95.54%	-0.33%	-0.49%
23	6 inch	Standpipe	\$ (123)	\$ (371)	\$ (248)	202.00%	-0.02%	-0.05%
24		Subtotal	\$ (2,009)	\$ (4,059)	\$ (2,050)	102.06%	-0.36%	-0.53%
25								
26								
27	Total Revenue Annualization		\$ 19,125	\$ 23,176	\$ 4,051	21.18%	\$ 0	\$ 0
28								
29	Total Revenues with Annualization		\$ 550,337	\$ 747,288	\$ 196,951	35.79%	97.29%	97.98%
30								
31	Misc. Serv. Rev.		7,790	7,790	-	0.00%	1.383%	1.026%
32	Annualization of Misc Service Revenues		4,295	4,295	-	0.00%	0.762%	0.566%
33	Unreconciled Difference to C-1		881	31	(830)	-96.40%	0.153%	0.004%
34								
35								
36	Total Revenues		\$ 563,283	\$ 759,404	\$ 196,121	34.82%	99.59%	99.57%
37								





Farmers Water Co.  
Test Year Ended September 30, 2007  
Analysis of Revenue by Detailed Class

Exhibit  
Rebuttal Schedule H-2  
Page 1  
Witness: Bourassa

(a)									
			Average Number of Customers			Revenues		Proposed Increase	
Line			at	Average		Present	Proposed	Dollar	Percent
No.	Meter Size		9/30/2007	Consumption		Rates	Rates	Amount	Amount
1	5/8 Inch	Residential	1,811	5,898	\$	319,061	\$ 414,140	\$ 95,079	29.80%
2	1 Inch	Residential	218	9,316	\$	59,415	\$ 79,206	\$ 19,791	33.31%
3		Subtotal	2,029						
4									
5	5/8 Inch	Commercal	18	9,980	\$	4,626	\$ 8,559	\$ 1,933	41.79%
6	1 Inch	Commercal	9	19,090	\$	4,046	\$ 5,610	\$ 1,564	38.85%
7	1.5 Inch	Commercial	8	19,609	\$	4,162	\$ 5,934	\$ 1,772	42.59%
8	2 Inch	Commercial	17	48,277	\$	19,492	\$ 27,946	\$ 8,454	43.37%
9	3 Inch	Commercial	2	47,630	\$	2,511	\$ 3,977	\$ 1,467	58.41%
10		Subtotal	54						
11									
12	1.5 Inch	Multi-Family	9	32,354	\$	6,572	\$ 9,395	\$ 2,823	42.95%
13	2 Inch	Multi-Family	27	91,028	\$	53,791	\$ 77,762	\$ 23,972	44.56%
14	6 Inch	Multi-Family	2	336,520	\$	14,214	\$ 21,723	\$ 7,509	52.82%
15		Subtotal	37						
16									
17	5/8 Inch	Industrial	5	5,429	\$	801	\$ 1,107	\$ 306	38.19%
18	1 Inch	Industrial	2	82,309	\$	4,142	\$ 6,101	\$ 1,980	47.32%
19	4 Inch	Industrial	1	1,307,825	\$	2,511	\$ 3,977	\$ 1,467	58.41%
20		Subtotal	8						
21									
22	2 Inch	Standpipe	8	70,890	\$	10,271	\$ 19,881	\$ 9,610	93.57%
23	6 Inch	Standpipe	1	82,862	\$	1,867	\$ 5,361	\$ 3,495	187.23%
24		Subtotal	9						
25									
26		Totals	2,138						

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Analysis of Average Bill by Detailed Class**

**Exhibit**  
**Rebuttal Schedule H-2**  
**Page 2**  
**Witness: Bourassa**

Line No.	Meter Size and Class		(a) Average Number of Customers at 9/30/2007	Average Consumption	Average Bill		Proposed Increase	
			Present Rates		Proposed Rates	Dollar Amount	Percent Amount	
1	5/8 Inch	Residential	1,811	5,898	\$ 14.05	\$ 17.70	3.65	25.97%
2	1 Inch	Residential	218	9,316	\$ 21.51	\$ 28.22	6.71	31.19%
3		Subtotal	2,029					
4								
5	5/8 Inch	Commerical	18	9,980	\$ 19.97	\$ 27.43	7.46	37.34%
6	1 Inch	Commerical	9	19,090	\$ 37.50	\$ 50.72	13.22	35.26%
7	1.5 Inch	Commercial	8	19,609	\$ 42.35	\$ 58.31	15.96	37.67%
8	2 Inch	Commercial	17	48,277	\$ 96.16	\$ 130.45	34.29	35.66%
9	3 Inch	Commercial	2	47,630	\$ 100.59	\$ 157.55	56.96	56.63%
10		Subtotal	54					
11								
12	1.5 Inch	Multi-Family	9	32,354	\$ 63.38	\$ 86.95	23.57	37.18%
13	2 Inch	Multi-Family	27	91,028	\$ 166.70	\$ 236.74	70.04	42.02%
14	6 Inch	Multi-Family	2	336,520	\$ 592.26	\$ 901.80	309.54	52.26%
15		Subtotal	37					
16								
17	5/8 Inch	Industrial	5	5,429	\$ 13.37	\$ 18.69	5.31	39.74%
18	1 Inch	Industrial	2	82,309	\$ 141.81	\$ 207.90	66.09	46.60%
19	4 Inch	Industrial	1	1,307,825	\$ 2,186.91	\$ 3,284.14	1,097.23	50.17%
20		Subtotal	8					
21								
22	2 Inch	Standpipe	6	70,890	\$ 108.11	\$ 209.27	101.16	93.57%
23	6 Inch	Standpipe	1	82,862	\$ 143.58	\$ 412.39	268.81	187.23%
24		Subtotal	9					
25								
26		Totals	2,138					

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.



Farmers Water Co.  
Test Year Ended September 30, 2007  
Present and Proposed Rates

Exhibit  
Rebuttal Schedule H-3  
Page 1  
Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	5/8 Inch	\$ 6.50	\$ 8.26	\$ 1.76	27.00%
2	3/4 Inch	6.50	8.26	1.76	27.00%
3	1 Inch	8.00	10.32	1.32	14.65%
4	1 1/2 Inch	13.00	20.64	7.64	58.75%
5	2 Inch	19.50	33.02	13.52	69.33%
6	3 Inch	25.00	66.04	41.04	164.16%
7	4 Inch	32.00	103.19	71.19	222.46%
8	6 Inch	40.00	206.38	166.38	415.94%
9	8 Inch	-	-	-	-
10					
11					
12					
13	<u>Gallons In Minimum (All Classes)</u>				
14					
15					
16					
17	<u>Commodity Rates</u>				
18	<u>(Residential, Commercial, Industrial)</u>				
19	All Meter Sizes				
20					
21					
22					
23					
24	<u>Commodity Rates</u>				
25	<u>(Residential, Commercial, Industrial)</u>				
26					
27	5/8 Inch Meter Residential				
28					
29					
30					
31	3/4 Inch Meter Residential				
32					
33					

Block	Present Rate	Proposed Rate
(Per 1,000 gallons)		
0 gallons to 5,000 gallons	\$ 1.25	N/A
5,001 gallons to 10,000 gallons	\$ 1.45	N/A
over 10,000 gallons	\$ 1.65	N/A

Block	Present Rate	Proposed Rate
(Per 1,000 gallons)		
0 gallons to 4,000 gallons	N/A	\$ 1.45
4,001 gallons to 10,000 gallons	N/A	\$ 1.92
over 10,000 gallons	N/A	\$ 2.49

Block	Present Rate	Proposed Rate
(Per 1,000 gallons)		
0 gallons to 4,000 gallons	N/A	\$ 1.45
4,001 gallons to 10,000 gallons	N/A	\$ 1.92
over 10,000 gallons	N/A	\$ 2.49

Farmers Water Co.  
 Test Year Ended September 30, 2007  
 Present and Proposed Rates

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	(Per 1,000 gallons)	
			Present Rate	Proposed Rate
1				
2				
3				
4				
5	5/8 Inch Meter Commercial, Industrial	0 gallons to 10,000 gallons over 10,000 gallons	N/A	1.92
6			N/A	2.49
7				
8	3/4 Inch Meter Commercial, Industrial	0 gallons to 10,000 gallons over 10,000 gallons	N/A	1.92
9			N/A	2.49
10				
11	1 Inch Meter Residential, Commercial, Industrial	0 gallons to 12,500 gallons over 12,500 gallons	N/A	1.92
12			N/A	2.49
13				
14	1.5 Inch Meter Residential, Commercial, Industrial	0 gallons to 25,000 gallons over 25,000 gallons	N/A	1.92
15			N/A	2.49
16				
17	2 Inch Meter Residential, Commercial, Industrial	0 gallons to 40,000 gallons over 40,000 gallons	N/A	1.92
18			N/A	2.49
19				
20	3 Inch Meter Residential, Commercial, Industrial	0 gallons to 80,000 gallons over 80,000 gallons	N/A	1.92
21			N/A	2.49
22				
23	4 Inch Meter Residential, Commercial, Industrial	0 gallons to 125,000 gallons over 125,000 gallons	N/A	1.92
24			N/A	2.49
25				
26	6 Inch Meter Residential, Commercial, Industrial	0 gallons to 250,000 gallons over 250,000 gallons	N/A	1.92
27			N/A	2.49
28				
29				
30				
31				
32	Standpipe (Bulk)	All gallons	\$ 1.25	\$ 2.49
33				
34				
35				

**Farmers Water Co.**  
**Changes in Representative Rate Schedules**  
**Test Year Ended September 30, 2007**

Exhibit  
 Rebuttal Schedule H- 3  
 Page 3  
 Witness: Bourassa

Line		Present	Proposed
No.	<u>Other Service Charges</u>	<u>Rates</u>	<u>Rates</u>
1	Establishment	\$ 25.00	\$ 35.00
2	Establishment (After Hours)	\$ 25.00	\$ 50.00
3	Reconnection (Delinquent)	\$ 25.00	\$ 40.00
4	Reconnection (Delinquent and After Hours)	N/T	\$ 55.00
5	Meter Test (If meter reading correctly)	\$ 25.00	\$ 25.00
6	Hydrant Meter Deposit (refundable)	N/T	\$ 150.00
7	Deposit	*	*
8	Deposit Interest	*	2.00%
9	Re-Establishment (With-in 12 Months)	**	**
10	NSF Check	\$ 20.00	\$ 20.00
11	Deferred Payment, Per Month	N/T	1.50%
12	Meter Re-Read (If correct)	\$ 20.00	\$ 20.00
13	After hours service charge, per Rule R14-2-403D	N/T	Cost
14	Late Charge per month	N/T	1.50%
15	Meter Tampering Charge	N/T	Cost
16	Meter Box "Cut Lock" Charge	N/T	Cost
17	Meter Box Re-inspection	N/T	\$ 50.00
18			
19			
20			
21			
22	* PER COMMISSION RULE (R14-2-403.B)		
23	** Months off system times the minimum. PER COMMISSION RULE (R14-2-403.D)		
24			
25	N/T = No tariff.		
26			
27			
28	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
29	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES AND USE		
30	TAX. PER COMMISSION RULE (14-2-409.D 5).		
31	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
32	AND ALL APPLICABLE TAXES.		
33			
34			
35			

Farmers Water Co.  
 Changes in Representative Rate Schedules  
 Impact of Change in Tariff  
 Test Year Ended September 30, 2007

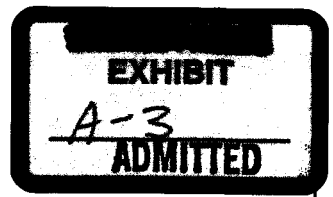
Exhibit  
 Rebuttal Schedule H-3  
 Page 3.1  
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates	Increase in Charge	Number of Occurrences (a)	Increase Revenues
1	Establishment	\$ 25.00	\$ 35.00	\$ 10.00	281	\$ 2,810
2	Establishment (After Hours)	\$ 25.00	\$ 50.00	\$ 25.00	6	150
3	Reconnection (Delinquent)	\$ 25.00	\$ 40.00	\$ 15.00	25	375
4	Reconnection (Delinquent and After Hours)	N/T	\$ 55.00	\$ 50.00	4	200
5	NSF Check	\$ 20.00	\$ 25.00	\$ 5.00	2	10
6	Meter Box Re-inspection	N/T	\$ 50.00	\$ 50.00	15	750
7	Totals					<u>\$ 4,295</u>
8						
Line No.	Reconciliation of Other Service Charges	Present Rates	Proposed Rates	Increase in Charge	Number of Occurrences (a)	Increase Revenues
9						
10	Reconciliation of Other Service Charges					
11	Establishment	\$ 25.00	\$ 35.00	\$ 10.00	281	\$ 2,810
12	Establishment (After Hours)	\$ 25.00	\$ 50.00	\$ 25.00	6	150
13	Reconnection (Delinquent)	\$ 25.00	\$ 40.00	\$ 15.00	25	375
14	Reconnection (Delinquent and After Hours)	N/T	\$ 55.00	\$ 50.00	4	200
15	NSF Check	\$ 20.00	\$ 25.00	\$ 5.00	2	10
16	NSF Check	N/T	\$ 50.00	\$ 50.00	15	750
17	Totals					<u>\$ 4,295</u>
18						
19	Misc. Service Revenues Recorded During Test Year					
20						
21	Difference					
22						
23	(a) Estimates of Occurrences during the test year					
24						

**Farmers Water Co.**  
**Test Year Ended September 30, 2007**  
**Service Charges**  
**Meter and Service Line Charges**

Exhibit  
 Rebuttal Schedule H-3  
 Page 4  
 Witness: Bourassa

Line No.		Total Present Charge	Proposed Service Line Charge*	Proposed Meter Installation Charge*	Total Proposed Charge*
1					
2					
3					
4					
5					
6	5/8 x 3/4 Inch	\$ 415.00	\$ 385.00	\$ 135.00	\$ 520.00
7	3/4 Inch	455.00	415.00	205.00	620.00
8	1 Inch	540.00	465.00	265.00	730.00
9	1 1/2 Inch	780.00	520.00	475.00	995.00
10	2 Inch	1,380.00	N/A	N/A	N/A
11	2 Inch / Turbine	N/A	800.00	995.00	1,795.00
12	2 Inch / Compound	N/A	800.00	1,840.00	2,640.00
13	3 Inch	1,935.00	N/A	N/A	N/A
14	3 Inch / Turbine	N/A	1,015.00	1,620.00	2,635.00
15	3 Inch / Compound	N/A	1,135.00	2,495.00	3,630.00
16	4 Inch	3,030.00	N/A	N/A	N/A
17	4 Inch / Turbine	N/A	1,430.00	2,570.00	4,000.00
18	4 Inch / Compound	N/A	1,610.00	3,545.00	5,155.00
19	6 Inch	5,535.00	N/A	N/A	N/A
20	6 Inch / Turbine	N/A	2,150.00	4,925.00	7,075.00
21	6 Inch / Compound	N/A	2,270.00	6,820.00	9,090.00
22	8 Inch	At Cost	At Cost	At Cost	At Cost
23	10 Inch	At Cost	At Cost	At Cost	At Cost
24	12 Inch	At Cost	At Cost	At Cost	At Cost
25					
26	*Based on Staff update of typical service line and meter installation charges dated				
27	February 21, 2008.				
28					



1 Jeffrey W. Crockett, Esq.  
2 Robert J. Metli, Esq.  
3 SNELL & WILMER L.L.P.  
4 One Arizona Center  
5 400 East Van Buren  
6 Phoenix, AZ 85004-2202  
7 Attorneys for Farmers Water Co.

8  
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 IN THE MATTER OF THE  
11 APPLICATION OF FARMERS  
12 WATER CO., AN ARIZONA  
13 CORPORATION, FOR A  
14 DETERMINATION OF THE  
15 CURRENT FAIR VALUE OF ITS  
16 UTILITY PLANT AND PROPERTY  
17 AND FOR INCREASES IN ITS RATES  
18 AND CHARGES FOR UTILITY  
19 SERVICE.

DOCKET NO. W-01654A-08-0502

20  
21  
22 **CORRECTED REBUTTAL TESTIMONY OF**  
23 **HEATHER TRIANA**  
24 **ON BEHALF OF**  
25 **FARMERS WATER CO.**  
26  
27  
28

1       **I. INTRODUCTION AND QUALIFICATIONS**

2       **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3       A. My name is Heather Triana. My business address is 1525 East Sahuarita Road,  
4       Sahuarita, AZ 85629-0007.

5       **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

6       A. I am the Vice President of Finance and Treasurer for Farmers Investment Co.  
7       Farmers Investment Co. is the parent of Farmers Water Co.

8       **Q. WOULD YOU DISCUSS YOUR EDUCATIONAL BACKGROUND AND**  
9       **BUSINESS EXPERIENCE?**

10      A. I am a Certified Public Accountant. I received my MBA in 1998 in Production  
11      Operations at Oakland University. I received my BS/BA in 1992 in Accounting at  
12      Central Michigan University. My work experience is as follows:

- 13      • December 2001 to present – CFO, VP Finance, Treasurer, and Secretary of  
14      Farmers Investment Co. and Farmers Water Co. (Responsible for all financial  
15      activity for Farmers Investment Co. and Farmers Water Co.).
- 16      • March 2000 to December 2001 – Controller of Walbro de Mexico, Nogales,  
17      Sonora, Mexico (Oversaw both US and Mexican entity accounting departments –  
18      Small Engines Supplier).
- 19      • November 1999 to March 2000 – Accounting Consultant for Walbro Engine  
20      Management Auburn Hills, MI and Nogales, Sonora, Mexico (Troubleshoot  
21      Accounting problems and inventory losses in Mexican facility – Small Engines  
22      Supplier).
- 23      • March 1999 to November 1999 – Special Projects Accountant, Remedy  
24      Corporation, Mt. View, CA (Oversaw restructure of AR Department and the  
25      department's conversion of a new ERP system, and wrote company's accounting  
26      policies and procedures. – Software Developer).
- 27      • August 1997 to March 1999 – Supervisor Corporate Accounting, Walbro  
28      Automotive, Auburn Hills, Michigan. (Responsible for corporate accounting

1 department which handled worldwide consolidation of financials – Automotive  
2 Supplier).

- 3 • June 1995 to August 1997 – Staff Accountant, Folmer, Rudzewicz & Co.,  
4 Southfield, Michigan. (In-charge of audits of manufacturers and HUD clients as  
5 well as prepared tax returns both individual and business. – CPA Firm)
- 6 • December 1992 to June 1995 – Walbro Automotive, Caro, MI. (General Ledger  
7 account -- Automotive supplier).

8  
9 **II. SUMMARY**

10 **Q. WOULD YOU SUMMARIZE YOUR TESTIMONY?**

11 A. My testimony will address two issues. The first is Staff's recommendation to  
12 eliminate \$14,589 from salaries and wages. As set forth in the Rebuttal Testimony  
13 of Tom Bourassa, Staff incorrectly characterized an additional \$10,330 as bonuses  
14 for the Test Year and the appropriate amount of compensation that Staff is  
15 classifying as a "bonus" should be \$4,259. My testimony will address why the  
16 \$4,259 is not a bonus and should be included as part of the Company's Operating  
17 Expenses as it represents a portion of the employee wages and, although is paid out  
18 separately, it is budgeted as part of employee regular compensation.

19 The second issue involves Staff's recommendation that the Company submit a  
20 report for corrective measures demonstrating how the Company will reduce water  
21 loss to less than 10 percent for the Continental and Sahuarita Highlands water  
22 systems. As explained below, due to accounting and meter reading errors in the  
23 Test Year, unaccounted-for water appears to exceed 10 percent in those two water  
24 systems. In fact, the Company has already corrected the accounting and meter  
25 reading errors and has provided reports that show water loss for the Continental  
26 and Sahuarita Highlands water systems for the eight months ending August 2009  
27 for the 2009 calendar year are only 8.93 percent (1005 Hook-ups) and 0.12 percent  
28 (24 Hook-ups), respectively.



1       **III.    COMPENSATION   EXPENSE   SHOULD   BE   INCLUDED   IN**  
2       **OPERATING   EXPENSES**

3       **Q.    STAFF HAS RECOMMENDED DISALLOWANCE OF \$14,589 FROM**  
4       **WAGES AND SALARIES, DOES FARMERS WATER CO. AGREE WITH**  
5       **THIS ADJUSTMENT?**

6       A.   No. As set forth in the Rebuttal Testimony of Tom Bourassa, Staff has incorrectly  
7       included an additional \$10,330 of compensation that they have classified as  
8       "bonuses" for the Test Year. The correct amount of compensation that Staff has  
9       identified as "bonuses" should only be \$4,259.

10       **Q.    SHOULD THE \$4,259 BE EXCLUDED FROM OPERATING EXPENSES**  
11       **BECAUSE THIS AMOUNT REPRESENTS A DISCRETIONARY BONUS?**

12       A.   No. The amount designated by Staff as a bonus of \$4,259 for the other Farmers  
13       Water Co. employees is not a discretionary bonus. The Company has historically  
14       paid the employees an additional payroll in December equal to one payroll period's  
15       wages. When the Company changed its payroll dates from twice a month to every  
16       other week, the Company determined that it would not penalize the employees by  
17       reducing this check's amount and continues to use the same ratio of pay as if the  
18       employees are paid bi-monthly. This amount, although paid separately, is part of  
19       employee's base compensation.

20       **IV.    NON-ACCOUNTABLE WATER DOES NOT EXCEED 10 PERCENT**

21       **Q.    STAFF HAS RECOMMENDED THAT THE COMPANY SUBMIT A**  
22       **REPORT FOR CORRECTIVE MEASURES DEMONSTRATING HOW**  
23       **THE COMPANY WILL REDUCE WATER LOSS TO LESS THAN 10**  
24       **PERCENT FOR THE CONTINENTAL AND SAHUARITA HIGHLANDS**  
25       **WATER   SYSTEMS.   DO   YOU   AGREE   WITH   STAFF'S**  
26       **RECOMMENDATION?**

27       A.   If the Company's water loss exceeded 10 percent in any of its water systems,  
28       Farmers Water Co. would have no objection to such a recommendation. During  
the Test Year, due to accounting and meter reading errors, unaccounted-for water  
appears to exceed over 10 percent in the Continental and Sahuarita Highlands  
water systems.

1 Q. PLEASE EXPLAIN.

2 A. Farmers Water Co. was transitioning from **Utility 2000** to **Billmaster** during the  
3 last quarter of 2006 and the first quarter of Fiscal Year 2007. During this transition  
4 some data was incorrectly assigned or duplicated. Unfortunately, the IT individual  
5 who worked on this project is no longer with the Company. This hampered the  
6 researching and retrieving of data. For the fourth quarter of 2006 (the first quarter  
7 of Fiscal year 2007), the gallons pumped were originally recorded from a separate  
8 set of readings taken at a different time period for the same month thereby making  
9 the amount of original gallons pumped incorrect. In addition, some construction  
10 water was either inadvertently assigned to the wrong system or incorrectly  
11 recorded in the wrong month.

12 Q. WHAT HAS THE COMPANY DONE TO CORRECT THESE  
13 ACCOUNTING AND METER READING INCONSISTENCIES?

14 A. Beginning in 2008, the Company has taken additional steps to insure the accuracy  
15 of its water reports. All in-the-field readings are reviewed and checked for  
16 anomalies. For example, when monthly meter readings are completed, an  
17 "Exception Report" is immediately generated and the subject data is investigated.  
18 Additionally, source readings are to be taken within the same time frame as the  
19 meter readings for each system.

20 Farmers Water Co. reads meters on a monthly basis. The Company is in the  
21 process of converting from manual entry into a hand-held unit to electronic  
22 readings. Also, the company is replacing older non-electronic meters with  
23 electronically-read meters.

24 The newer electronically-read meters measure to the gallon. Older meters yet to be  
25 replaced will read in 10, 100 or 1000 gallon increments depending on size and type  
26 of meter. When the conversion of all meters to electronic read is complete, all  
27 meters will be read to the gallon.

28

1 Q. **BASED UPON THE COMPANY'S EFFORTS TO ACCURATELY**  
2 **RECORD WATER DATA, WHAT IS THE WATER LOSS PERCENTAGES**  
3 **FOR THE CONTINENTAL AND SAHUARITA HIGHLANDS WATER**  
4 **SYSTEMS IN 2009?**

5 A. Attached as Exhibit A are charts my staff has prepared that show water loss for the  
6 Continental and Sahuarita Highlands water systems through August 2009. Water  
7 loss for those systems is only 8.93 percent and 0.12 percent, respectively.

8 Q. **GIVEN THE COMPANY'S CURRENT WATER LOSS DATA, DO YOU**  
9 **BELIEVE IT IS NECESSARY FOR THE COMPANY TO SUBMIT A**  
10 **REPORT OF CORRECTIVE MEASURES?**

11 A. Given the Company's corrective actions and based upon the water loss data for  
12 2009, Farmers Water Co. does not believe such a report would be necessary.

13 Q. **DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

14 A. Yes.

15 10517136.4

# **EXHIBIT A**

PWS 10049 ANNUAL CALENDAR YEAR 2009													
Gallons Pumped			Total Gallons Pumped (1000's)	Construct.			Other Gals Sold/F-11 (1000's)	Total Gals Accounted For/Sold (1000's)	Difference Gallons (1000's)	Difference Acre Feet	+/- Slippage Percent		
E-5A (1000's)	E-13A (1000's)	NP-2 (1000's)		Gallons Sold (1000's)	Gallons Sold (1000's)	Gallons Sold (1000's)							
Jan. 09	4347	6975	224	11546	10310	2	0	10312	1234	3.8	10.69%		
Feb. 09	3546	5684	174	9404	8538	3	0	8541	863	2.6	9.18%		
Mar. 09	4515	6367	224	11106	9609	8	697	10313	793	2.4	7.14%		
Apr. 09	6415	8844	326	15585	13058	4	1143	14205	1380	4.2	8.85%		
May. 09	7230	8685	386	16301	12559	27	2579	15165	1136	3.5	6.97%		
Jun. 09	6199	8005	379	14584	12185	60	1282	13528	1056	3.2	7.24%		
Jul. 09	7618	9981	456	18055	14691	10	1742	16443	1613	4.9	8.93%		
Aug. 09	8254	9079	453	17786	13041	2	2610	15653	2133	6.5	11.99%		
Sep. 09	0	0	0	0	0	0	0	0	0	0.0	#DIV/0!		
Oct. 09	0	0	0	0	0	0	0	0	0	0	#DIV/0!		
Nov. 09	0	0	0	0	0	0	0	0	0	0	#DIV/0!		
Dec. 09	0	0	0	0	0	0	0	0	0	0	#DIV/0!		
TOTALS:			48125	63620	2623	114367	93992	116	10053	104160	10207	31	8.93%

PWS 10414 ANNUAL CALENDAR YEAR 2009									
	Gallons Pumped S-28 (1000's)	Gallons Sold (1000's)	Construct. Gallons Sold (1000's)	Other Gals Sold/F-11 (e.g.-flush) (1000's)	Total Gals Accounted For/Sold (1000's)	Difference Gallons (1000's)	Difference Acre Feet	+/- Slippage Percent	
Jan. 09	123	90	0	0	90	33	0.101	26.71%	
Feb. 09	135	91	0	0	91	44	0.135	32.64%	
Mar. 09	236	104	180	0	284	-48	-0.146	-20.20%	
Apr. 09	165	153	0	0	153	12	0.038	7.39%	
May. 09	266	126	145	0	271	-5	-0.015	-1.80%	
Jun. 09	169	137	4	0	141	28	0.087	16.81%	
Jul. 09	126	201	0	0	201	-75	-0.232	-59.93%	
Aug. 09	218	197	8	0	205	12	0.037	5.55%	
Sep. 09	0	0	0	0	0	0	0.000	#DIV/0!	
Oct. 09	0	0	0	0	0	0	0.000	#DIV/0!	
Nov. 09	0	0	0	0	0	0	0.000	#DIV/0!	
Dec. 09	0	0	0	0	0	0	0.000	#DIV/0!	
TOTALS:	1438	1100	337	0	1436	2	0.005	0.12%	

Note: Negative numbers for Difference in Gallons is within storage capacity of 200,500 gallon storage tank.

ORIGINAL

BEFORE THE ARIZONA CORPORATION

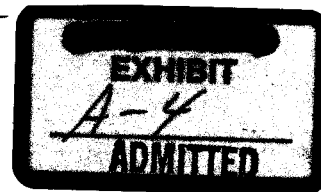
RECEIVED

COMMISSIONERS

KRISTIN K. MAYES—Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

2009 OCT 27 P 4:02

AZ CORP COMMISSION  
DOCKET CONTROL



IN THE MATTER OF THE  
APPLICATION OF FARMERS  
WATER CO., AN ARIZONA  
CORPORATION, FOR A  
DETERMINATION OF THE  
CURRENT FAIR VALUE OF ITS  
UTILITY PLANT AND PROPERTY  
AND FOR INCREASES IN ITS RATES  
AND CHARGES FOR UTILITY  
SERVICE.

DOCKET NO. W-01654A-08-0502


FARMERS WATER CO.'S NOTICE  
OF FILING REJOINDER  
TESTIMONY OF THOMAS J.  
BOURASSA

Farmers Water Co. hereby files the Rejoinder Testimony of Thomas J. Bourassa in  
the above-referenced matter.

RESPECTFULLY SUBMITTED this 27th day of October, 2009.

SNELL & WILMER LLP.

By

  
Jeffrey W. Crockett  
Robert J. Metli  
One Arizona Center  
400 E. Van Buren  
Phoenix, AZ 85004-2202  
Attorneys for Farmers Water Co.

ORIGINAL and thirteen (13) copies  
filed this 27<sup>th</sup> day of October, 2009, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

OCT 27 2009

DOCKETED BY



1 COPY of the foregoing hand-delivered on  
2 this 27th day of October, 2009, to:

3 Steve Olea, Director  
4 Utilities Division  
5 ARIZONA CORPORATION COMMISSION  
6 1200 West Washington  
7 Phoenix, AZ 85007

8 Janice Alward  
9 Chief Legal Counsel  
10 Legal Department  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, AZ 85007

14 Lyn Farmer, Hearing Division  
15 ARIZONA CORPORATION COMMISSION  
16 1200 West Washington  
17 Phoenix, AZ 85007

18 COPY of the foregoing mailed on  
19 this 27th day of October, 2009, to:

20 Jane Rodda, Administrative Law Judge  
21 Arizona Corporation Commission  
22 400 West Congress Street  
23 Tucson, Arizona 85701

24  
25  
26  
27  
28  
By Gus Ball

10666871.1



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

KRISTIN K. MAYES—Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

IN THE MATTER OF THE APPLICATION  
OF FARMERS WATER CO., AN ARIZONA  
CORPORATION, FOR A  
DETERMINATION OF THE CURRENT  
FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR INCREASES  
IN ITS RATES AND CHARGES FOR  
UTILITY SERVICE.

DOCKET NO. W-01654A-08-0502

**REJOINDER TESTIMONY OF THOMAS J. BOURASSA**

**ON BEHALF OF**

**FARMERS WATER COMPANY**

**RATE BASE, INCOME STATEMENT,  
REVENUE REQUIREMENT, RATE DESIGN**

**October 27, 2009**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**TABLE OF CONTENTS**

I.	INTRODUCTION AND QUALIFICATIONS.....	1
II.	REVENUE REQUIREMENT.....	2
III.	RATE BASE.....	3
IV.	INCOME STATEMENT .....	3
V.	RATE DESIGN (H SCHEDULES).....	5

1 **I. INTRODUCTION AND QUALIFICATIONS**

2  
3 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

4 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,  
5 Phoenix, Arizona 85029.  
6

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

8 A. On behalf of the applicant, Farmers Water Co. ("Farmers" or the "Company").  
9

10 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL**  
11 **TESTIMONY IN THE INSTANT CASE?**

12 A. Yes. My direct and rebuttal testimony was submitted in support of the initial  
13 application filed in this matter.  
14

15 **Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?**

16 A. I will provide rejoinder testimony in response to the surrebuttal filing by Arizona  
17 Corporation Commission Utilities Division Staff ("Staff"). More specifically, my  
18 rejoinder testimony relates to the determination of operating income, rate base,  
19 income statement and rate design.  
20

21  
22 **Q. WHAT IS THE REVENUE REQUIREMENT ADJUSTMENT THAT THE**  
23 **COMPANY IS PROPOSING IN ITS REJOINDER FILING?**

24 A. The Company is requesting an increase in revenues of \$196,121, an increase of  
25 34.82 percent for a total revenue requirement of \$759,404.  
26

1  
2 **Q. HOW DOES THIS COMPARE WITH THE REVENUE REQUIREMENT**  
3 **PROPOSED BY THE COMPANY IN ITS REBUTTAL TESTIMONY?**

4 A. It is the same as requested by Company in its rebuttal filing. The Company  
5 continues to propose a 10 percent operating margin as the Company's rate base is  
6 negative and a rate of return approach would not be meaningful. Farmers'  
7 rejoinder Original Cost Rate Base ("OCRB") and Fair Value Rate Base ("FVRB")  
8 have not changed from its rebuttal filing. The OCRB is \$(748,646). The  
9 Company continues to request that its OCRB be treated as its FVRB.

10  
11 **II. REVENUE REQUIREMENT**

12  
13 **Q. WHAT ARE THE REVENUE REQUIREMENTS AND RATE INCREASES**  
14 **FOR THE COMPANY AND STAFF?**

15 A. The proposed revenue requirements and proposed rate increases are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
Staff-Surrebuttal	\$ 726,887	\$ 163,604	29.04%
Company-Rejoinder	\$ 759,404	\$ 196,121	34.82%

16  
17  
18  
19  
20  
21  
22 **Q. WHAT IS THE PRIMARY DIFFERENCE BETWEEN STAFF AND THE**  
23 **COMPANY WITH RESPECT TO THE REVENUE REQUIREMENT?**

24 A. The Company includes income taxes whereas Staff does not. I will discuss the  
25 issue of income taxes later in my testimony.

1 **III. RATE BASE**

2  
3 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**  
4 **BASE RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING?**

5 **A.** The rate bases proposed by all parties in the case are as follows:  
6

	<u>OCRB</u>	<u>FVRB</u>
7 Company-Direct	\$(748,646)	\$(748,646)
8 Staff	\$(748,646)	\$(748,646)
9 Company Rebuttal	\$(748,646)	\$(748,646)

10  
11

12 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED OCRB,**  
13 **AND IDENTIFY ANY ADJUSTMENTS THAT YOU HAVE ACCEPTED**  
14 **FROM STAFF?**

15 **A.** Yes. Staff has not proposed any adjustments to the Company's OCRB. Both the  
16 Company and Staff are in agreement on the rate base.  
17  
18

19 **IV. INCOME STATEMENT**

20  
21 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**  
22 **ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY**  
23 **ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

24 **A.** The Company has not proposed any additional revenue and/or expense  
25 adjustments in its rejoinder filing. The Company's rebuttal schedules reflect the

1 Company's rejoinder position. I discussed the Company's rebuttal adjustments on  
2 page 4 through 6 of my rebuttal testimony.

3  
4 **A. Salaries and Wages**

5 **Q. HAS STAFF RESPONDED TO YOUR REBUTTAL TESTIMONY**  
6 **CONCERNING SALARIES AND WAGES?**

7 A. Yes. In Staff's surrebuttal testimony, Mr. Myhlhousen testifies that Staff no  
8 longer proposes a downward adjustment of \$14,589.<sup>1</sup> Both Staff and the  
9 Company now agree on the level of salaries and wages expense of \$180,508.

10  
11 **B. Income Taxes**

12 **Q. PLEASE RESPOND TO STAFF'S SURREBUTTAL TESTIMONY**  
13 **CONCERNING INCOME TAXES.**

14 A. Staff continues to propose to exclude income taxes from the determination of the  
15 revenue requirement because Farmers is a Sub-Chapter "S" corporation and is a  
16 pass-through entity for income tax purposes.<sup>2</sup> Rather than providing testimony that  
17 refutes the merits of inclusion of income taxes in the instant case as set forth in my  
18 rebuttal testimony<sup>3</sup>, Staff's response is merely to cite a court case (*Consolidated*  
19 *Water Utilities v ACC* 178 Ariz. 478,875 P. 2d 137, Ariz. Ct.app 1993) which  
20 affirms that the Commission has the authority to *allow or disallow* income taxes.<sup>4</sup>  
21 However, the Company has never taken the position that the Commission lacked

22 <sup>1</sup> See Surrebuttal testimony of Charles R. Myhlhousen ('Myhlhousen Sb') at 3.

23 <sup>2</sup> Myhlhousen Sb at 3.

24 <sup>3</sup> See Rebuttal Testimony of Thomas J. Bourassa ("Bourassa Rb") at 9-11.

25 <sup>4</sup> Myhlhousen Sb at 4.

any authority to allow or disallow income taxes. The Company's position has always been that rate making should be applied in a manner which produces reasonable, realistic and non-discriminatory results no matter the legal form of the utility.<sup>5</sup> For the reasons set forth in my rebuttal testimony, exclusion of income taxes for S-corporations is discriminatory and unfair.

**V. RATE DESIGN (H SCHEDULES)**

**Q. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES?**

A. The monthly charges are the same as those proposed in the Company's rebuttal testimony and schedules. The Company proposed rates are listed below.

<u>Meter Size (All Classes)</u>	<u>Monthly Minimum</u>	<u>Gallons included in Monthly Minimum</u>
5/8	\$ 8.26	0
3/4	\$ 8.26	0
1	\$ 10.32	0
1 1 / 2	\$ 20.64	0
2	\$ 33.02	0
3	\$ 66.04	0
4	\$ 103.19	0
6	\$ 206.38	0

The Company's proposed commodity charges and tiers by meter size are:

---

<sup>5</sup> Bourassa Rb at 10.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
5/8 and 3/4 - Residential	1 to 4,000	\$ 1.45
	4,001 to 10,000	\$ 1.92
	Over 10,000	\$ 2.49
5/8 and 3/4 - Non-residential	1 to 10,000	\$ 1.92
	Over 10,000	\$ 2.49
1 - All Classes	1 to 12,500	\$ 1.92
	Over 12,500	\$ 2.49
1 1/2 - All Classes	1 to 25,000	\$ 1.92
	Over 25,000	\$ 2.49
2 - All Classes	1 to 40,000	\$ 1.92
	Over 40,000	\$ 2.49
3 - All Classes	1 to 80,000	\$ 1.92
	Over 80,000	\$ 2.49
4 - All Classes	1 to 125,000	\$ 1.92
	Over 125,000	\$ 2.49
6 - All Classes	1 to 250,000	\$ 1.92
	Over 250,000	\$ 2.49

Standpipe minimums are by meter size.



1 The proposed standpipe rate and bulk water rate is \$ 2.49 per 1,000 gallons.  
2

3 **Q. ARE THERE ANY DISPUTES BETWEEN STAFF AND THE COMPANY**  
4 **ON THE COMPANY PROPOSED MISCELLANEOUS CHARGES AND**  
5 **METER AND SERVICE LINE INSTALLATION CHARGES?**

6 A. Staff continues to recommend a deposit interest rate of 6 percent while the  
7 Company's rebuttal recommendation is to lower it to 2 percent. I have discussed  
8 the merits of a lower deposit rate in my rebuttal testimony and will not repeat my  
9 testimony here.<sup>6</sup>

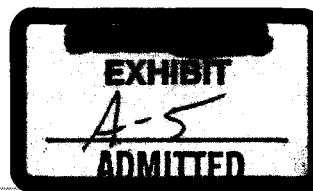
10 The Company continues to propose a \$50 meter box re-inspection fee. Staff has  
11 modified its position on the meter re-inspection fee from "cost" to per Arizona  
12 Administrative Code ("A.A.C.") R-14-2-407.B. To the extent that A.A.C. R-14-  
13 2-407.B provides that customers shall be responsible for the cost of replacement  
14 and repair of utility property caused by the customer as well as the cost of  
15 additional re-inspection fees incurred after repairs are performed, we do not take  
16 issue with Staff's position. On the other hand, if this provision of the code does  
17 not address a re-inspection fee, one is necessary to recover these costs. I have  
18 discussed the merits of a \$50 stated fee in my rebuttal testimony and will not  
19 repeat my testimony here.<sup>7</sup>  
20

21 **Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?**  
22

23 A. Yes.  
24

25 <sup>6</sup> Bourassa Rb at 13-14.

<sup>7</sup> *Id.* at 14.



**Metli, Robert**

**From:** Metli, Robert  
**Sent:** Monday, June 22, 2009 9:37 AM  
**To:** Charles Myhlousen  
**Cc:** 'Ayesha Vohra'; Charles Hains  
**Attachments:** 20090605124627046.pdf

Charles:

In response to your question regarding the corporate status of Farmers Water Co., I have attached Farmers Investment Co's Shareholder Agreement. Please note paragraph No. 5 entitled Dividend Policy. This will be helpful in your analysis regarding income tax allowance. In addition, we will be in the process of obtaining additional invoices and documentation and will be supplementing our Responses to BCA 2.1(f)(i) and (j) in due course. If you have any questions, please do not hesitate to contact me.

Best Regards.

**Robert J. Metli**  
Snell & Wilmer L.L.P.  
One Arizona Center  
400 East Van Buren  
Phoenix, AZ 85004-2202  
(602) 382-6568 (Direct)  
[Click Here to see my Snell&WilmerProfile](#)

The information contained in this electronic mail message is confidential information intended only for the use of the individual or entity named above, and may be privileged. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify me by telephone (602-382-6571), and delete the original message.

Circular 230 Disclaimer: To ensure compliance with Treasury Regulations governing written advice, please be advised that any tax advice included in this communication, including any attachments, is not intended, and cannot be used, for the purpose of (i) avoiding any federal tax penalty or (ii) promoting, marketing, or recommending any transaction or matter to another person. Thank you.

6/22/2009

**FARMERS INVESTMENT CO.  
SHAREHOLDERS' AGREEMENT**

This Shareholders' Agreement ("Agreement") is entered into effective as of September 30, 2005, by and among Farmers Investment Co., an Arizona corporation (the "Company") and all of the holders of shares of stock of the Company, as set forth on Exhibit A attached hereto and by this reference made a part hereof (collectively the "Current Shareholders").

**RECITALS**

The Current Shareholders own all of the issued and outstanding common stock of the Company, being the Company's only class of stock outstanding (the "Shares").

The Company and the Current Shareholders have agreed to make an election for the Company to be organized and taxed as an "S" corporation for federal income tax purposes, effective October 1, 2005 (the "Sub S Election") and in connection therewith have executed Department of Treasury form number 2553 (the "Election Form") and have delivered the executed Election Form to counsel for the Company.

In order to make and maintain a valid Sub S Election the Company must continuously meet certain requirements set forth in the Internal Revenue Code of 1986, as amended (together with Treasury Regulations promulgated thereunder and corresponding provisions of subsequent superseding federal revenue laws, the "Code"), including maintaining a limited number of shareholders all of whom meet certain requirements as more fully set forth in the Code.

The Current Shareholders (together with all other persons who subsequently may own Shares, the "Shareholders") deem it necessary and advisable and in their best interests to impose certain rights, restrictions and obligations set forth herein with respect to the Shares to assure that the Company continues to meet the requirements to maintain a valid Sub S Election.

In consideration of the foregoing and the mutual promises herein and other consideration, the receipt and adequacy of which is acknowledged, the parties hereby agree as follows:

1. **Representations and Warranties.** Each Shareholder represents and warrants to each other Shareholder and to the Company that:

(a) He, she or it is the legal and beneficial owner of all of the Shares set forth on Exhibit A opposite his, her or its name;

(b) He, she or it is:

(i) an individual who is a United States citizen or a resident alien (a "Qualified Individual Shareholder"), or

(ii) a trust that is permitted to be a shareholder of a "small business corporation" under Section 1361(c)(2)(A) of the Code (a "Qualified Trust Shareholder") and nothing within its organizational documents or, to such counsel's

knowledge, any agreement to which it is a party will cause it to fail to continue to qualify as a Qualified Trust Shareholder for as long as it owns any Shares; and

(c) For each Shareholder that is not a Qualified Individual Shareholder, it has caused its tax counsel to deliver to the Company a letter confirming that it is a Qualified Trust Shareholder and nothing within its organizational documents or, to such counsel's knowledge, any agreement to which it is a party will cause it to fail to qualify as a Qualified Trust Shareholder for as long as it owns any Shares.

**2. Prohibition Against Transfers that Result in Termination of "S" Status.** In order to prevent an inadvertent or wrongful termination of the Company's Sub S Election, no Shareholder shall transfer, by sale, assignment, conveyance, gift, encumbrance, pledge, hypothecation, or other means (including without limitation any transfer on the death of a Shareholder that is an individual and any dissolution or termination of a Shareholder that is a trust or other entity) (collectively, a "Transfer") any record or beneficial interest in all or any portion of any Share or any financial, voting or other rights therein unless:

(a) the person to whom the Shares will be Transferred (the "Transferee") is and will continue to be eligible under the Code to own Shares without affecting the Company's Sub S Election,

(b) the proposed Transfer will not result in an excessive number of Shareholders such as would result in disqualification of the Company as a "small business corporation" under Section 1361, *et. seq.* of the Code,

(c) the proposed Transferee executes a counterpart signature page to this Agreement agreeing to bound by all of the provisions hereof, and

(d) if the proposed Transferee is other than a Qualified Individual Shareholder, the proposed Transferee causes its tax counsel to deliver to the Company a letter confirming that the proposed Transferee is and will continue to be eligible under the Code to own Shares without affecting the Company's Sub S Election and nothing within its organizational documents or, to such counsel's knowledge, any agreement to which it is a party will cause it to fail to qualify as a Qualified Trust Shareholder for as long as it owns any Shares,

and any Transfer in violation of the forgoing provisions of this Section 2 shall be null and void *ab initio*, and the purported Transferee shall not be deemed to be a Shareholder of the Company and shall not be entitled to receive a new stock certificate or any dividends or other distributions on or with respect to the Shares. At least thirty (30) days prior to a proposed Transfer, the Shareholder shall provide the Company with information regarding the identity of the proposed Transferee sufficient to satisfy the Company that the Transfer will not violate any of the forgoing provisions of this Section 2.

**3. Additional Shareholder Covenants.** Each Shareholder covenants to each other Shareholder and to the Company that:

(a) He, she or it will not take any action that would cause an inadvertent or wrongful termination of the Company's Sub S Election, including any Transfer of any Share except in accordance with Section 2; and

(b) He, she or it will take such further action as the Company shall reasonably request to cause the Company to continue to be qualified to be taxed as a Subchapter S Corporation and to continue the Sub S Election.

**4. Revocation of Sub S Election.**

(a) Notwithstanding anything contained in this Agreement to the contrary, the parties agree that the Company's Sub S Election may be revoked upon the affirmative vote of more than fifty percent (50%) of the Shares. If the requisite vote is obtained, each Shareholder agrees to execute the necessary forms to implement the revocation.

(b) Each Shareholder hereby irrevocably appoints each executive officer of the Company (President, Vice-President, Secretary, and Treasurer) as his attorney-in-fact to enter into the above agreements and consents on behalf of the Shareholder, if the requisite vote is obtained. This power is coupled with an interest, shall constitute an irrevocable proxy to vote stock, shall not expire on the death or incapacity of the appointing Shareholder, and may not be revoked while this Agreement in effect.

**5. Dividend Policy.** Unless prohibited by law, the Company shall declare and pay dividends with respect to each of its fiscal years in an amount at least equal to the sum of (a) a percentage of its earnings and profits (as determined for federal income tax purposes) that is the same as the highest federal and Arizona income tax rate on ordinary income for individuals and (b) a percentage of its net long-term capital gains and net gains from the sale or exchange of assets, the gain from which are taxable under Code Section 1231, which is the same as the highest federal and Arizona income tax rate on such gains for individuals. Such dividends shall be declared and paid before April 1 of the following year.

**6. Legend on Stock Certificate.** In addition to any other legend required to be placed any certificate representing any Shares, each such certificate shall bear the following legend:

**NOTICE IS HEREBY GIVEN** that the shares of capital stock represented by this certificate are subject to a Shareholders' Agreement between the corporation and its shareholders dated as of September 30, 2005, as amended, and may not be transferred, sold, assigned, encumbered, pledged, hypothecation, or otherwise disposed of except in accordance with the Shareholders' Agreement. A copy of the Shareholder's Agreement may be inspected at the principal office of the corporation during normal business hours.

**7. Remedies.** The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance or injunctive relief in order to enforce or prevent any violations of the

provisions of this Agreement. Each of the parties hereto shall be entitled to recover damages by reason of any breach of any provision of this Agreement by another Shareholder, including reasonable attorneys' fees and expenses and court costs incurred in enforcing any provision of this Agreement, but excluding any incidental and consequential damages.

8. **Term and Termination.** This Agreement shall continue to be effective until the first to occur of (i) the dissolution and completion of the winding up of the Company's business, or (ii) the revocation of the Sub S Election pursuant to Section 4.

9. **Notices.** Any notice required or permitted to be given under this Agreement shall be in writing and shall be valid and sufficient upon receipt if delivered by hand, registered or certified mail or courier, in each case, addressed to the office of the recipient party located as written beneath its signature. Any party may change its address by a notice in writing given to the other parties. Confirmations by registered mail shall be sent return receipt requested.

10. **Further Actions.** The Shareholders shall execute and deliver any certificates, agreements or other instruments reasonably requested or necessary to comply with the provisions of this Agreement.

11. **No Other Agreements.** This Agreement constitutes the entire agreement and understanding of the parties hereto concerning the subject matter hereof and supersede any prior discussions, representations or agreements concerning such subject matter, written or oral, with respect to such subject matter and nothing herein, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever.

12. **Miscellaneous.** This Agreement (i) may only be amended in a writing signed by each of the parties and dated after the date hereof; (ii) shall be binding upon and inure to the benefit of the parties and their successors (provided, that no party shall assign or delegate performance of this Agreement to any other person) and shall survive the dissolution, death or incapacity of any party; (iii) may be executed in one or more counterparts, all of which together constitute one and the same instrument and shall be binding upon the party executing the same; (iv) shall not confer rights or remedies upon any person other than the parties hereto; and (v) shall be governed by and construed in accordance with the laws of the State of Arizona without regard to such state's principles of conflicts of laws.

13. **Headings.** Headings contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provisions hereof.

14. **Terminology.** All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders and the singular shall include the plural, and vice versa whenever appropriate as may reasonably be determined by the context. Including and words of similar import are used in the inclusive rather than exclusive sense.

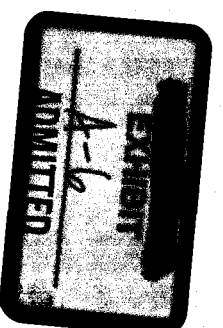
15. **Unenforceability.** If any provision of this Agreement is or becomes or is deemed invalid, illegal, or unenforceable by a court of competent jurisdiction in any jurisdiction, to the

maximum extent permissible, such provision shall be deemed amended to conform to applicable laws so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it shall be stricken and the remainder of this Agreement shall remain in full force and effect.

16. **Representation of Company.** The Shareholders acknowledge and agree that Gould & Ratner has prepared this Agreement and is representing the Company and that each of the Shareholders has been advised to have independent counsel of their own choosing review this Agreement on their behalf.

17. **Counterparts.** This Agreement may be executed in counterparts, all of which taken together shall constitute one instrument.

[Signature pages follow]



PWS 10414 ANNUAL CALENDAR YEAR 2009									
	Gallons Pumped S-28 (1000's)	Gallons Sold (1000's)	Construct. Gallons Sold (1000's)	Other Gals Sold/F-11 (e.g.-flush) (1000's)	Total Gals Accounted For/Sold (1000's)	Difference Gallons (1000's)	Difference Acre Feet	+/- Slippage Percent	
Jan. 09	123	90	0	0	90	33	0.101	26.71%	
Feb. 09	135	91	0	0	91	44	0.135	32.64%	
Mar. 09	236	104	180	0	284	-48	-0.146	-20.20%	
Apr. 09	165	153	0	0	153	12	0.038	7.39%	
May. 09	266	126	145	0	271	-5	-0.015	-1.80%	
Jun. 09	169	137	4	0	141	28	0.087	16.81%	
Jul. 09	126	201	0	0	201	-75	-0.232	-59.93%	
Aug. 09	218	197	8	0	205	12	0.037	5.55%	
Sep. 09	314	200	130	0	330	-16	-0.049	-5.10%	
Oct. 09	126	130	0	0	130	-4	-0.012	-3.17%	
Nov. 09	0	0	0	0	0	0	0.000	#DIV/0!	
Dec. 09	0	0	0	0	0	0	0.000	#DIV/0!	
<b>TOTALS:</b>	<b>1878</b>	<b>1430</b>	<b>467</b>	<b>0</b>	<b>1896</b>	<b>-18</b>	<b>-0.056</b>	<b>-0.97%</b>	

Note: Negative numbers for Difference in Gallons is within storage capacity of 200,500 gallon storage tank.



PWS 10049 ANNUAL CALENDAR YEAR 2009											
	Gallons	Pumped		Total	Gallons	Construct.	Other Gals	Total Gals	Difference	Difference	+/-
	E-5A	E-13A	NP-2	Gallons	Sold	Gallons	Sold/F-11	Accounted	Gallons	Acre Feet	Slippage
	(1000's)	(1000's)	(1000's)	Pumped	(1000's)	Sold	(e.g.-flush)	For/Sold	(1000's)		Percent
				(1000's)		(1000's)	(1000's)	(1000's)	(1000's)		
Jan. 09	4347	6975	224	11546	10310	2	0	10312	1234	3.8	10.69%
Feb. 09	3546	5684	174	9404	8538	3	0	8541	863	2.6	9.18%
Mar. 09	4515	6367	224	11106	9609	8	697	10313	793	2.4	7.14%
Apr. 09	6415	8844	326	15585	13058	4	1143	14205	1380	4.2	8.85%
May. 09	7230	8685	386	16301	12559	27	2579	15165	1136	3.5	6.97%
Jun. 09	6199	8005	379	14584	12185	60	1282	13528	1056	3.2	7.24%
Jul. 09	7618	9981	456	18055	14691	10	1742	16443	1613	4.9	8.93%
Aug. 09	8254	9079	453	17786	13041	2	2610	15653	2133	6.5	11.99%
Sep. 09	8693	9755	531	18979	14510	0	2210	16720	2259	6.9	11.90%
Oct. 09	6381	6537	371	13289	13087	8	0	13095	194	0.6	1.46%
Nov. 09	0	0	0	0	0	0	0	0	0	0	#DIV/0!
Dec. 09	0	0	0	0	0	0	0	0	0	0	#DIV/0!
TOTALS:	63199	79912	3525	146636	121589	124	12263	133975	12661	39	8.63%

BEFORE THE ARIZONA CORPORATION COMMISSION



KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION OF )  
FARMERS WATER CO., AN ARIZONA )  
CORPORATION, FOR A DETERMINATION )  
OF THE CURRENT FAIR VALUE OF ITS )  
UTILITY PLANT AND PROPERTY AND FOR )  
INCREASES IN ITS RATES AND CHARGES )  
BASED THEREON FOR UTILITY SERVICE )

---

DOCKET NO. W-01654A-08-0502

DIRECT

TESTIMONY

OF

JIAN W. LIU

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 21, 2009

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTION .....	1
PURPOSE OF TESTIMONY .....	2
ENGINEERING REPORT .....	3

## **EXHIBIT**

Engineering Report .....	EXHIBIT JWJ
A. Location of the Company .....	1
B. Description of Water System .....	1
C. Water Use .....	3
D. Growth .....	4
E. ADEQ Compliance .....	4
F. ADWR Compliance .....	5
G. ACC Compliance .....	5
H. Depreciation Rates .....	5
I. Curtailment Plan Tariff .....	5
J. Service Line and Meter Installation Charges .....	5

## **FIGURES**

A-1. County Map .....	7
A-2. Certificated Area .....	8
B-1. System Schematic .....	9

## **TABLES**

H-1. Depreciation Rates .....	11
J-1. Service Line and Meter Installation Charges .....	12

**EXECUTIVE SUMMARY  
FARMERS WATER CO.  
DOCKET NO. W-01654A-08-0502**

**CONCLUSIONS**

- A. Farmers Water Co. ("Farmers Water" or "Company") is located in the Tucson Active Management Area ("AMA") and is subject to its AMA reporting and conservation requirements. Staff received an Arizona Department of Water Resources ("ADWR") compliance status report in November 2008. ADWR reported that Farmers Water is currently in compliance with departmental requirements governing water providers and/or community water systems.
- B. Arizona Department of Environmental Quality reported that the Farmers Water drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards as required by the Arizona Administrative Code, Title 18, Chapter 4.
- C. A check with the Utilities Division Compliance Section showed no delinquent compliance items for the Company.
- D. Farmers Water has a curtailment plan filed with the Arizona Corporation Commission.
- E. The existing water systems have adequate well production and storage capacity.

**RECOMMENDATIONS**

- 1. Staff recommends its annual water testing expense of \$11,519 be used for purposes of this application.
- 2. Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table H-1. Staff recommends that Farmers Water use these depreciation rates by individual NARUC category.
- 3. Staff recommends acceptance of the Company's proposed meter and service line installation charges along with the adoption of installation charges of "At Cost" for meter sizes of 8-inch and larger as shown in Table J-1.
- 4. Non-account water should be 10 percent or less and never more than 15 percent. The Continental water system reported a water loss of 10.07 percent, and the Sahuarita Highlands water system water loss was approximately 13.3 percent for test year 2007. Staff recommends that the Company evaluate its water systems and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation

demonstrating why water loss reduction to less than 10 percent is not cost effective. The Company shall file such report with Docket Control as a compliance item in this docket by June 30, 2010.

**INTRODUCTION**

**Q. Please state your name, place of employment and job title.**

A. My name is Jian W. Liu. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division ("Staff"), 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Water/Wastewater Engineer.

**Q. How long have you been employed by the Commission?**

A. I have been employed by the Commission since October 2005.

**Q. Please list your duties and responsibilities.**

A. As a Water/Wastewater Engineer, my responsibilities include: the inspection, investigation, and evaluation of water and wastewater systems; preparing reconstruction cost new and/or original cost studies, cost of service studies and investigative reports; providing technical recommendations and suggesting corrective action for water and wastewater systems; providing written and oral testimony on rate applications and other cases before the Commission.

**Q. How many companies have you analyzed for the Utilities Division?**

A. I have analyzed approximately 45 companies for the Utilities Division covering various responsibilities.

**Q. Have you previously testified before the Commission?**

A. Yes, I have testified before the Commission.

1     **Q.     What is your educational background?**

2     A.     I am a Ph.D. Candidate in Geotechnical Engineering from Arizona State University  
3           ("ASU"). I have a Master of Science Degree in Natural Science from ASU and a Master  
4           of Science Degree in Civil Engineering from Institute of Rock & Soil Mechanics  
5           ("IRSM"), Academy of Sciences, China.

6  
7     **Q.     Briefly describe your pertinent work experience.**

8     A.     From 1982 to 2000, I was employed by IRSM, SCS Engineers, and URS Corporation as a  
9           Civil and Environmental Engineer. In 2000, I joined the Arizona Department of  
10          Environmental Quality ("ADEQ"). My responsibilities with ADEQ included review and  
11          approval of water distribution systems, sewer distribution systems, and on-site wastewater  
12          treatment facilities. I remained with ADEQ until transferring to the Commission in  
13          October 2005.

14  
15    **Q.     Please state your professional membership, registrations, and licenses.**

16    A.     I am a licensed professional civil engineer in the State of Arizona.

17  
18    **PURPOSE OF TESTIMONY**

19    **Q.     Were you assigned to provide Staff's engineering analysis and recommendations for**  
20          **the Farmers Water Co. ("Farmers Water" or "Company") in this proceeding?**

21    A.     Yes. I reviewed the Farmers Water application and responses to data requests. Also I  
22          inspected the Company's water system on April 23, 2009. This testimony and its  
23          attachment present Staff's engineering evaluation.

1 **ENGINEERING REPORT**

2 **Q. Please describe the attached Engineering Report, Exhibit JWL.**

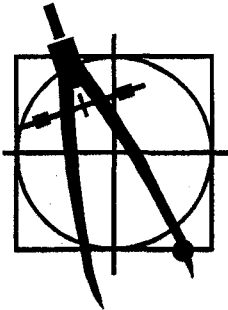
3 A. Exhibit JWL presents the details and analyses of Staff's findings, and is attached to this  
4 Direct Testimony. Exhibit JWL contains the following major topics: (1) a description of  
5 the water system and the processes, (2) water use, (3) growth, (4) compliance with the  
6 rules of the ADEQ, Arizona Department of Water Resources ("ADWR"), and the  
7 Commission, (5) depreciation rates, (6) curtailment plan tariff, and (7) Service Line and  
8 Meter Installation Charges.

9  
10 The conclusions and recommendations from the Engineering Report are contained in the  
11 "Executive Summary", above.

12  
13 **Q. Does this conclude your Direct Testimony?**

14 A. Yes, it does.





**Engineering Report  
For Farmers Water Co.  
Docket No. W-01654A-08-0502 (Rates)**

**June 19, 2009**

**A. LOCATION OF THE COMPANY**

On September 29, 2008 Farmers Water Co. ("Farmers Water" or "Company") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission"). Farmers Water has four water systems that are located in the vicinity of Sahuarita which is south of Tucson in Pima County, Arizona. Figure A-1 shows the location of the Company within Pima County, and Figure A-2 shows the certificated area. The Company's Certificate of Convenience and Necessity includes an area totaling approximately 19 square miles. In the test year 2007, the Company reported serving a total of approximately 2,200 water service connections via its four water systems.

**B. DESCRIPTION OF WATER SYSTEMS**

The Company's water systems were field inspected on April 23, 2009 by Jian W Liu, Staff Utilities Engineer, in the accompaniment of John Miller (Jack), representing Farmers Water. The Company operates four independent water systems with brief descriptions as follows:

1. Sahuarita, Arizona Department of Environmental Quality ("ADEQ") Public Water System ("PWS") No. 10-048: This system serves the community of Sahuarita and consists of two wells producing 820 gallons per minute ("gpm") that pump water into two 17,500 gallons storage tanks and one 30,000 gallons storage tank, and a 5,000-gallon pressure tank before distribution into the system. This system serves approximately 85 service connections.
2. Continental, PWS No. 10-049: This system serves the community of Continental, located approximately eight miles south of Sahuarita and consists of four wells<sup>1</sup>. The water system wells produce 1,185 gpm. The wells pump into four storage tanks (total storage capacity 1,583,000 gallons), and five 5,000 gallon pressure tanks before distribution into the system. This system serves approximately 740 service connections.

---

<sup>1</sup> Well 55-210420 drilled in 2006, is not connected to the system and not in service.

3. Santa Rita Springs, PWS No. 10-213: This system is located approximately 10 miles south of Sahuarita and serves the Greens at Santa Rita Springs, the Springs at Santa Rita, and the Sunrise Pointe subdivisions, which are age restricted subdivisions. The system consists of one well (producing approximately 1,900 gpm) that pumps into a 1,000,000 gallon storage tank, through booster pumps, and pressure tanks (one 5,000 and one 10,000 gallon) before distribution into the system. This system serves approximately 1,330 service connections.
4. Sahuarita Highlands, PWS No. 10-414: This system is located west of the community of Continental and consists of one well (producing approximately 200 gpm), one 200,500-gallon storage tank and one 5,000-gallon pressure tank before distribution into the system. This system serves approximately 30 service connections.

General system schematics are shown as Figure B1. Combined detailed plant facility listings are as follows:

**Table 1. Well Data**

Location	ADWR* ID #	Pump Hp	Pump GPM	Casing Size	Casing Depth (Feet)	Meter Size
Sahuarita	55-534922	30	220	8"	1520	4"
Sahuarita	55-624001	60	600	14/12"	1200	8"
Continental	55-624012	75	500	16"	520	8"
Continental	55-624020	60	650	18"	1100	8"
Continental -Not in Service	55-210420	50	500 (est.)	12 3/4"	800	6"
Continental	55-624028	10	35	16"	375	2"
Santa Rita Springs	55-624025	200	1900	18/16"	1186	12"
Sahuarita Highlands	55-201058	30	200	12 3/4"	600	4"

\*Arizona Department of Water Resources

**Table 2. Storage Tanks**

Capacity (Total Gallons)	Location
65,000 (two 17,500 gallons and one 30,000 gallons storage tanks)	Sahuarita
1,583,000 (one 1,000,000 gallons, one 500,000 gallons, one 75,000 gallons and one 8,000 gallons storage tanks)	Continental
One 1,000,000 gallons storage tank	Santa Rita Springs
One 200,500 gallons storage tank	Sahuarita Highlands

**Table 3. Booster Systems**

Booster Pumps	Pressure Tanks	Location
One 15Hp, One 7.5Hp, and One 0.75Hp	One 5,000 gallons	Sahuarita
Four 60Hp, Three 30Hp, and others	Five 5,000 gallons	Continental
Two 50Hp, and One 25Hp	One 5,000 and One 10,000 gallons	Santa Rita Springs
One 10Hp, One 25Hp, and One 50Hp	One 5,000 gallons	Sahuarita Highlands

The existing water systems have adequate well production and storage capacity to serve the existing connections and expected growth for a five year period.

### C. WATER USE

#### *Water Sold*

Based on the information provided by the Company on its Water Use Data Sheets, water use for the test year 2007 is presented below for each system.

Water Use, gallons per day ("GPD") per connection

<u>System</u>	<u>High/Mo.</u>	<u>Low/Mo.</u>	<u>Average</u>
Sahuarita	1,304 in July	838 in Jan.	1,056
Continental	949 in Oct.	342 in Jan.	637
Santa Rita Springs	222 in July	145 in Jan.	177
Sahuarita Highlands	331 in Aug.	31 in Nov.	108

#### *Non-Account Water*

For each water system, the Company reported the following gallons pumped and gallons sold for the test year 2007, which Staff used to determine non-account water per system:

**Table 8. Water Loss**

Water System	Gallons Pumped	Gallons Sold	Water loss (%)
Sahuarita	36,887,000	33,499,000	9.18
Continental	151,270,000	136,040,000	10.07
Santa Rita Springs	88,278,000	85,371,000	3.30
Sahuarita Highlands	1,059,000	718,000	32.20*

\*Note: This is a new water system. Approximately 200,000 gallons water was used to fill the new storage tank. The real water loss was approximately 13.3%. The Sahuarita Highlands water system reported a water loss of 8.08% in 2008.

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing.

The Continental water system reported a water loss of 10.07 percent, and the Sahuarita Highlands water system water loss was approximately 13.3 percent for test year 2007.

Staff recommends that the Company evaluate its water systems and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective. The Company shall file such report with Docket Control as a compliance item in this docket by June 30, 2010.

#### **D. GROWTH**

Based on the information provided by the Company, it is projected that the Company could add a total of 1150 connections by December 2012. Therefore, Farmers Water would have 3,390 service connections by December 2012.

<u>System</u>	<u>Number of Connections Expected to Add</u>	<u>Growth (%)</u>
Sahuarita	80	96.4
Continental	940	127.4
Santa Rita Springs	45	3.4
Sahuarita Highlands	85	303.6

**E. ADEQ COMPLIANCE***Compliance*

ADEQ reported that the Farmers Water drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards as required by the Arizona Administrative Code, Title 18, Chapter 4.

*Water Testing Expense*

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). Starting January 1, 2002, water companies paid a fixed \$250 per year fee, plus an additional fee of \$2.57 per service connection, regardless of meter size, for participation in MAP. Participation in the MAP program is mandatory for water systems that serve less than 10,000 persons (approximately 3,300 service connections).

The Company reported its water testing expense of \$11,154 during the test year. Table A1 through A4 show Staff's estimated annual monitoring expense of \$11,519 with participation in the MAP. Staff recommends its annual water testing expense of \$11,519 be used for purposes of this application.

The monitoring requirements for each system are listed in the following Tables A1 through A4:

**Table A1. Summary of System No. 10-048 Water Testing Cost**

Contaminant	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual expense
Bacteriological - Total Coliform (monthly)	40	72	2,880	960
Nitrate (annual)	30	6	180	60
Lead & Copper	50	20	1,000	333
ADEQ MAP Annual fee				489
<b>Total</b>				<b>1,842</b>

**Table A2. Summary of System No. 10-049 Water Testing Cost**

Contaminant	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual expense
Bacteriological - Total Coliform (monthly)	40	72	2,880	960
Nitrate (annual)	30	6	180	60
Lead & Copper	50	20	1,000	333
ADEQ MAP Annual fee				1,656
<b>Total</b>				<b>3,009</b>

**Table A3. Summary of System No. 10-213 Water Testing Cost**

Contaminant	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual expense
Bacteriological - Total Coliform (monthly)	40	72	2,880	960
Nitrate (annual)	30	6	180	60
Lead & Copper	50	20	1,000	333
ADEQ MAP Annual fee				3,658
<b>Total</b>				<b>5,011</b>

**Table A4. Summary of System No. 10-414 Water Testing Cost**

Contaminant	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual expense
Bacteriological - Total Coliform (monthly)	40	72	2,880	960
Nitrate (annual)	30	6	180	60
Lead & Copper	50	20	1,000	333
ADEQ MAP Annual fee				304
<b>Total</b>				<b>1,657</b>

**F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

Farmers Water is located in the Tucson Active Management Area ("AMA") and is subject to its AMA reporting and conservation requirements. Staff received an ADWR compliance status report in November 2008. ADWR reported that Farmers Water is currently in compliance with departmental requirements governing water providers and/or community water systems.

**G. ACCOMPLIANCE**

A check with the Utilities Division Compliance Section showed no delinquent compliance items for the Company.

**H. DEPRECIATION RATES**

In recent orders, the Commission has been shifting away from the use of composite rates in favor of individual depreciation rates by National Association of Regulatory Utility Commissioners ("NARUC"). (For example, a uniform 2.50 percent composite rate would not really be appropriate for either vehicles or transmission mains and instead, different specific retirement rates should be used.)

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table H-1. Staff recommends that Farmers Water use these depreciation rates by individual NARUC category.

**I. CURTAILMENT PLAN TARIFF**

Farmers Water has a curtailment plan filed with the ACC.

**J. SERVICE LINE AND METER INSTALLATION CHARGES**

The Company has requested a change to its service line and meter installation charges. These charges are refundable advances and the Company's proposed charges are based on Staff's typical service line and meter installation charges for 2008. Staff recommends the acceptance of Company's proposed installation charges along with the adoption of an installation charge of "At Cost" for meter sizes of 8-inch and larger as shown in Table J-1.

# PIMA COUNTY

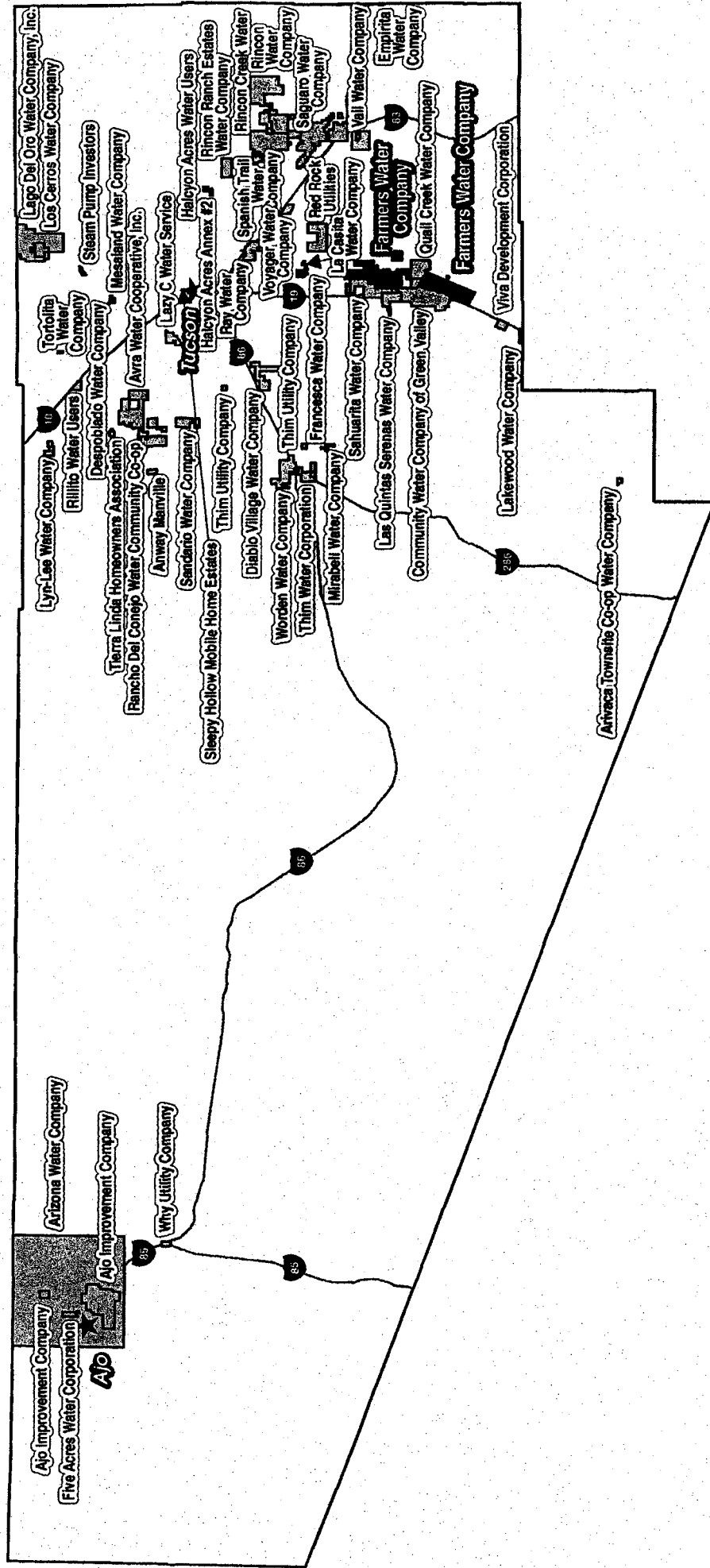
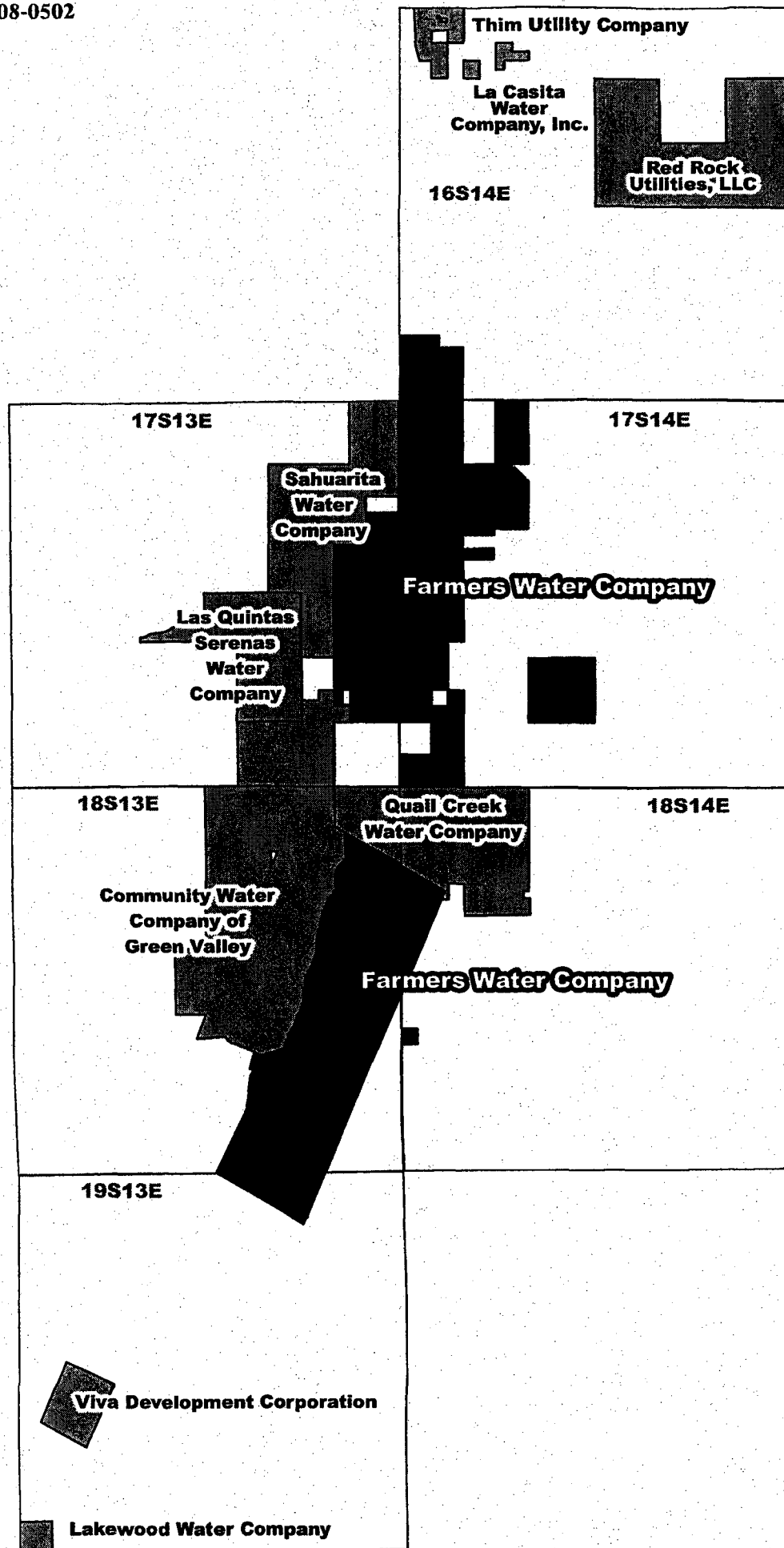
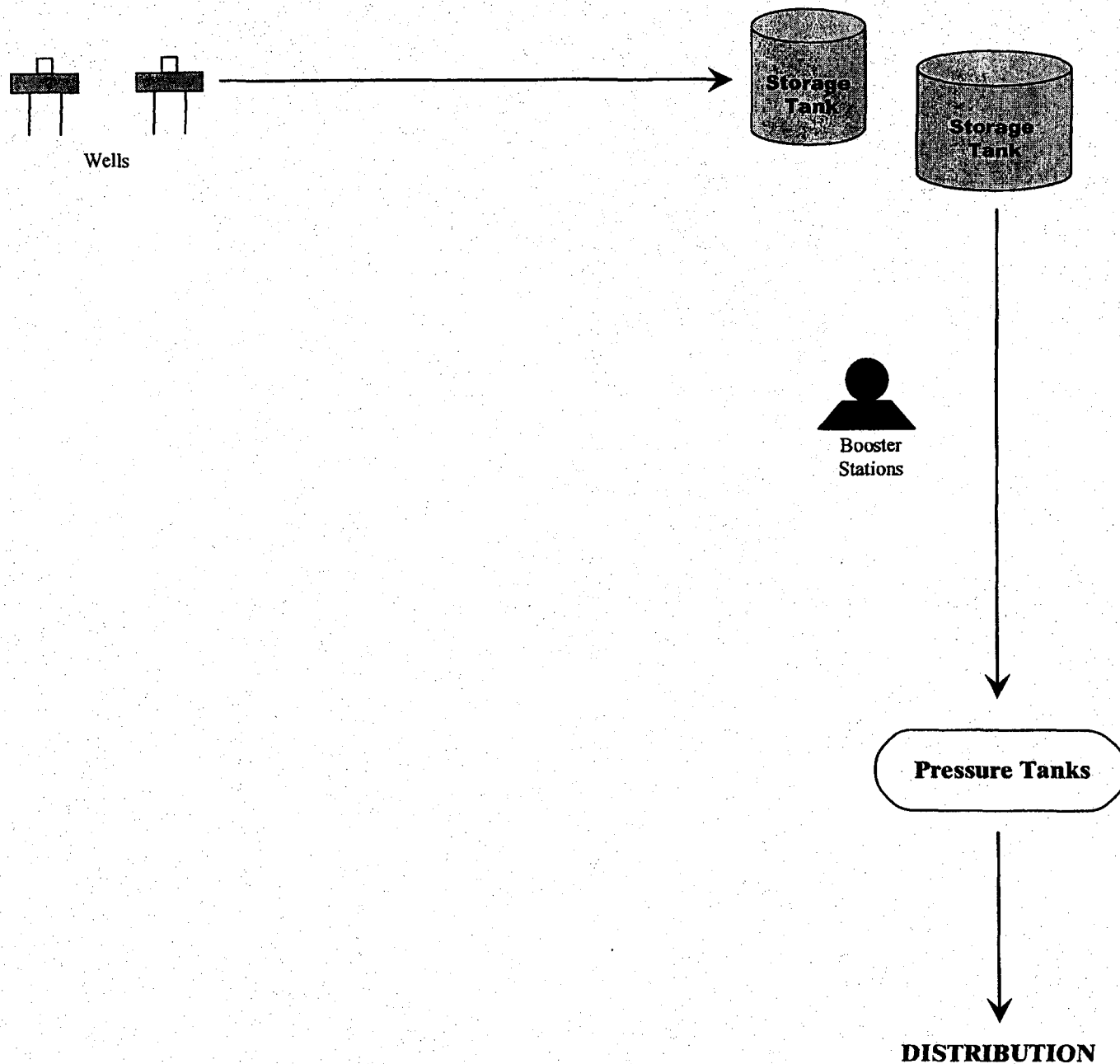


Figure A-1. County Map





**Figure A-2. Certificated Area**



**Figure B-1. General System Schematic**

Table H-1. Depreciation Rates

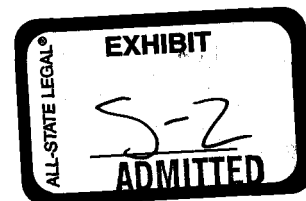
NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	10	10.00

Table J-1. Service Line and Meter Installation Charges

Meter Sizes	Current Charges	Company Proposed Service Line Charges	Company Proposed * Meter Charges	Company Proposed Total Charges
5/8" x 3/4"	415	385	135	520
3/4"	455	415	205	620
1"	540	465	265	730
1-1/2"	780	520	475	995
2" - Turbine	N/A	800	995	1,795
2" - Compound	N/A	800	1,840	2,640
3" - Turbine	N/A	1,015	1,620	2,635
3" - Compound	N/A	1,135	2,495	3,630
4" - Turbine	N/A	1,430	2,570	4,000
4" - Compound	N/A	1,610	3,545	5,155
6" - Turbine	N/A	2,150	4,925	7,075
6" - Compound	N/A	2,270	6,820	9,090
8"	At Cost	At Cost	At Cost	At Cost
10"	At Cost	At Cost	At Cost	At Cost
12"	At Cost	At Cost	At Cost	At Cost

\*Note: Meter charge includes meter box or vault.

BEFORE THE ARIZONA CORPORATION COMMISSION



KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF )  
FARMERS WATER CO., AN ARIZONA )  
CORPORATION, FOR A DETERMINATION )  
OF THE CURRENT FAIR VALUE OF ITS )  
UTILITY PLANT AND PROPERTY AND FOR )  
RATE INCREASES IN ITS RATES AND )  
CHARGES FOR UTILITY SERVICE BASED )  
THEREON )

DOCKET NO. W-01654A-08-0502

SURREBUTTAL

TESTIMONY

OF

JIAN W. LIU

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 14, 2009

**EXECUTIVE SUMMARY  
FARMERS WATER CO.  
DOCKET NO. W-01654A-08-0502**

The Continental water system reported a water loss of 10.07 percent, and the Sahuarita Highlands water system water loss was approximately 13.3 percent for test year 2007.

Staff would like to see the water loss less than 10 percent for all systems for a minimum of 12 months. Therefore, Staff recommends that the Company continue to monitor its water systems through December 31, 2009. If the water loss is less than 10 percent for all systems for the full 12 month period, Farmers Water Co. ("Company") shall submit a report including the updated water use data for each system demonstrating that corrective measures are no longer necessary. If on the other hand the water use data for the 12 month period indicates a water loss that is greater than the 10 percent threshold in any of its systems, then the Company shall prepare a report including the corrective measures that will be undertaken by the Company to reduce its water loss to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective. In any event water loss shall not exceed 15 percent. The Company shall file such report with Docket Control as a compliance item in this docket by June 30, 2010.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Jian W. Liu. My job title is Water/Wastewater Engineer. My place of  
4 employment is the Arizona Corporation Commission ("Commission"), Utilities Division,  
5 1200 West Washington Street, Phoenix, Arizona 85007.  
6

7 **Q. Are you the same Jian W. Liu who filed Direct Testimony in this case?**

8 A. Yes, I am.  
9

10 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

11 A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of  
12 Staff, to the Rebuttal Testimony of Farmers Water Co. ("Farmers Water" or "Company")  
13 witness, Heather Triana, regarding the Company's position that it does not believe a water  
14 loss report is necessary because the water loss for the Continental and Sahuarita Highlands  
15 water systems has been less than the 10 percent threshold for the first eight months in  
16 2009. Staff would like to see the water loss less than 10 percent for all systems for a  
17 minimum of 12 months. Therefore, Staff recommends that the Company continue to  
18 monitor its water systems through December 31, 2009. If the water loss is less than 10  
19 percent for all systems for the full 12 month period, the Company shall submit a report  
20 including the updated water use data for each system demonstrating that corrective  
21 measures are no longer necessary. If, on the other hand, the water use data for the 12  
22 month period indicates a water loss that is greater than the 10 percent threshold in any of  
23 its systems, then the Company shall prepare a report including the corrective measures  
24 that will be undertaken by the Company to reduce its water loss to less than 10 percent.  
25 Water loss shall be reduced to less than 10 percent by December 31, 2010. If the  
26 Company finds that reduction of water loss to less than 10 percent is not cost-effective, the

1           Company shall submit a detailed cost analysis and explanation demonstrating why water  
2           loss reduction to less than 10 percent is not cost effective. In any event water loss shall  
3           not exceed 15 percent. The Company shall file such report with Docket Control as a  
4           compliance item in this docket by June 30, 2010.

5  
6           **Q. Did you attempt to address every issue the Company raised in its Rebuttal**  
7           **Testimony?**

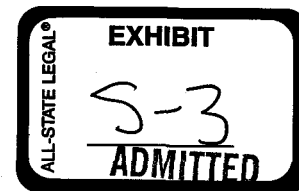
8           A. No. Staff limited its discussion to the specific issue as outlined above. Staff's lack of  
9           response to any issue in this proceeding should not be construed as agreement with the  
10          Company's position in its Rebuttal Testimony; rather where there is no response Staff  
11          relies on its original Direct Testimony.

12  
13          **Q. Does this conclude your Surrebuttal Testimony?**

14          A. Yes, it does.



BEFORE THE ARIZONA CORPORATION COMMISSION



KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF )  
FARMERS WATER COMPANY FOR A )  
PERMANENT RATE INCREASE. )  
\_\_\_\_\_ )

DOCKET NO. W-01654A-08-0502

DIRECT

TESTIMONY

OF

CHARLES R. MYHLHOUSEN

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 21, 2009

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
BACKGROUND .....	3
CONSUMER SERVICE.....	4
SUMMARY OF TESTIMONY AND RECOMMENDATIONS .....	4
RATE BASE.....	5
OPERATING REVENUE .....	5
OPERATING EXPENSES .....	5
REVENUE REQUIREMENT .....	9
RATE DESIGN .....	10
RECOMMENDATIONS .....	14

## SCHEDULES

Revenue Requirement.....	CRM-1
Rate Base – Original Cost.....	CRM-2
Summary of Original Cost Rate Base Adjustments.....	CRM-3
Operating Income Test Year and Staff Recommended .....	CRM-4
Summary of Operating Income Adjustments –Test Year.....	CRM-5
Operating Income Adjustment # 1- Salaries and Wages .....	CRM-6
Operating Income Adjustment # 2- Repairs and Maintenance.....	CRM-7
Operating Income Adjustment # 3- Water Testing Expense .....	CRM-8
Operating Income Adjustment# 4- Depreciation Expense .....	CRM-9
Operating Income Adjustment # 5- Property Tax.....	CRM-10
Operating Income Adjustment # 6- Income Taxes .....	CRM-11
Rate Design.....	CRM-12
Typical Bill Analysis .....	CRM-13

**EXECUTIVE SUMMARY  
FARMERS WATER COMPANY  
DOCKET NO. W-01654A-08-0502**

Farmers Water Company, Inc. ("Farmers" or "Company") is an Arizona-based corporation that provides water utility service to portions of Pima County. The Company served approximately 2,240 customers during the test year ended September 30, 2007. The Company's current rates were approved in Decision No. 63749, dated June 6, 2001, and became effective on July 1, 2001.

Currently, the Company provides water utility service through four water systems: the Sahuarita, Continental, Santa Rita Springs and Sahuarita Highlands systems. These four systems are located in the vicinity of Sahuarita, Arizona which is south of Tucson in Pima County, Arizona. The Company is located in the Tucson Active Management Area.

The Company proposes rates that would produce operating revenue of \$763,355 resulting in operating income of \$76,335 for a 10.00 percent operating margin. The Company proposal would increase annual operating revenue by \$200,072 or 35.52 percent over test year revenue of \$563,283. Under the Company proposed rates, the typical residential 5/8 inch meter customer consuming the median of 3,500 gallons per month, would experience a \$2.46 or 22.62 percent increase in his/her monthly bill from \$10.88 to \$13.34.

Staff recommends rates that would produce total operating revenue of \$710,333 resulting in operating income of \$71,050 for a 10.00 percent operating margin. Staff's recommended revenue represents an increase of \$147,050 or 26.11 percent over test year revenue of \$563,283. Under Staff's recommended rates, the typical residential 5/8 inch meter customer consuming the median of 3,500 gallons per month, would experience a \$2.10 or 19.31 percent increase in his/her monthly bill from \$10.88 to \$12.98.

Since the Company has a negative rate base, rate of return cannot be determined, therefore, Staff utilized an operating margin to determine revenue requirement.

**Staff recommends:**

Staff's rates and charges be approved as shown on Schedule CRM-12. In addition to collection of its regular rates and charges, the Company may collect from its customers the proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D.5).

The Company be ordered to docket a tariff of the approved rates and charges within 30 days after the Decision in this matter is issued.

The Company be ordered to use the depreciation rates delineated in Table H-1 of the Engineering Report on a going forward basis.

Non-account water should be 10 percent or less and never more than 15 percent. The Continental water system reported a water loss of 10.07 percent, and the Sahuarita Highlands water system water loss was approximately 13.3 percent for test year 2007. Staff recommends that the Company evaluate these two water systems and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective. The Company shall file such report with Docket Control as a compliance item in this docket by June 30, 2010.

**INTRODUCTION**

**Q. Please state your name, occupation, and business address.**

A. My name is Charles R. Myhlhousen. I am a Public Utilities Analyst III employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

**Q. Briefly describe your responsibilities as a Public Utilities Analyst III.**

A. I am responsible for the examination and verification of financial and statistical information included in utility rate applications, developing revenue requirements, designing rates, preparing written reports and/or testimonies and related schedules that present Staff's recommendations to the Commission. I am also responsible for testifying at formal hearings on these matters.

**Q. Please describe your educational background and professional experience.**

A. I received a Bachelor of Sociology degree with an emphasis in business from Bellevue University located in Bellevue, Nebraska. In the ensuing years, I have taken various accounting courses. I have participated in multiple rate cases and other regulatory proceedings. I attended the National Association of Regulatory Utility Commissioners ("NARUC") Utilities Rate School, and have attended seminars and courses in utility regulation and utility accounting.

I began employment with the Commission as a utilities regulatory analyst in October 2000. Prior to joining the Commission, I worked at the Internal Revenue Service as a Revenue Agent for over twenty years.

1     **Q.     What is the scope of your testimony in this case?**

2     A.     I am presenting Staff's analysis and recommendations regarding Farmers Water  
3           Company ("Farmers" or "Company") application for a permanent rate increase in the  
4           areas of rate base, operating income, revenue requirement, and rate design. Staff Witness  
5           Mr. Jian Liu is presenting Staff's engineering analysis and recommendations.

6  
7     **Q.     When was the application for a rate increase filed by the Company?**

8     A.     The original application was filed on September 29, 2008. Staff found the application  
9           sufficient on February 6, 2009.

10  
11    **Q.     What is the basis of Staff's recommendations?**

12    A.     Staff performed a regulatory audit of the Company's application and records. The  
13           regulatory audit consisted of examining and testing financial information, accounting  
14           records, and other supporting documentation. Staff also verified that the accounting  
15           principles applied were in accordance with the Commission adopted NARUC Uniform  
16           System of Accounts ("USoA").

17  
18    **Q.     What test year was used by the Company in the filing?**

19    A.     The Company used the twelve months ending September 30, 2007.

20  
21    **Q.     Did Staff accept the test year proposed by the Company?**

22    A.     Yes. The test year selected was the most recent fiscal year available and should present a  
23           fairly accurate representation of the Company's financial operations for the determination  
24           of appropriate rates and charges.

25

1 **BACKGROUND**

2 **Q. Please briefly describe the Company background.**

3 A. Farmers is an Arizona-based corporation that provides water utility service to portions of  
4 Pima County. The Company served approximately 2,240 customers during the test year  
5 ended September 30, 2007. The Company's current rates were approved in Decision No.  
6 63749, dated June 6, 2001, and became effective on July 1, 2001. The Company is  
7 located in the Tucson Active Management Area. The Company provides water utility  
8 service through four water systems: the Sahuarita, Continental, Santa Rita Springs and  
9 Sahuarita Highlands systems. The Company is an Arizona Sub-Chapter "S" Corporation  
10 since October 1, 2005.

11  
12 **Q. What are the primary reasons stated by the Company for requesting a permanent**  
13 **rate increase?**

14 A. Decision No. 68920 issued August 29, 2006, granted an extension of the Company's  
15 Certificate of Convenience and Necessity ("CC&N"). That Decision also ordered the  
16 Company to file a rate case by June 30, 2008, using a 2007 test year. On June 16, 2008,  
17 the Company applied for a 90-day extension of time, until September 29, 2008, to file its  
18 rate case.

19  
20 The Company proposes a 10 percent operating margin which will provide sufficient  
21 revenues to fund on-going operating expenses, to fund expected capital repairs and  
22 improvements, and to maintain the Company's financial stability.  
23

1 **CONSUMER SERVICE**

2 **Q. Please provide a brief history of customer complaints, customer responses to the**  
3 **proposed rate increase, the Company's standing with the ACC Corporations**  
4 **Division, the Company's compliance with the ACC Compliance Section and with**  
5 **other Arizona agencies.**

6 **A.** Staff reviewed the Commission's records for the period of January 1, 2006, through May  
7 6, 2009, and found no complaints. There were no opinions filed opposing the current  
8 proposed rate increase. The Company is in good standing with the Corporations  
9 Division. The Company has no outstanding compliance matters. The Company is  
10 current on all property and sales taxes.

11  
12 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

13 **Q. Please summarize the Company's filing.**

14 **A.** The Company proposes rates that would produce operating revenue of \$763,355 and  
15 operating income of 76,355 for a 10.00 percent operating margin. The Company's  
16 proposal would increase annual operating revenues by \$200,072 or 35.52 percent over  
17 test year revenues of \$563,283, as reflected on Schedule CRM-1.

18  
19 **Q. Please summarize Staff's recommendations.**

20 **A.** Staff recommends rates that would produce operating revenue of \$710,333 and operating  
21 income of \$71,050 for a 10.00 percent operating margin. Staff's recommendations would  
22 increase annual operating revenue by \$147,050 or 26.11 percent over test year revenues  
23 of \$563,283.

24



1     **RATE BASE**

2     **Q.     Did Staff make any adjustments to Rate Base?**

3     A.     No. The Company, as filed, proposes a rate base of a negative \$748,646. Staff concurs.  
4             See Schedules CRM-2 & CRM-3.

5  
6     **OPERATING REVENUE**

7     **Q.     Did Staff make any adjustments to operating revenue?**

8     A.     No.

9  
10    **OPERATING EXPENSES**

11    **Q.     Did Staff make any adjustments to operating expenses?**

12    A.     Yes. Staff made six adjustments to operating expenses. Salaries and wages, repairs and  
13             maintenance expense, water testing, depreciation expense, property taxes, and income  
14             taxes. My testimony addresses these adjustments:

15  
16    **Q.     Did Staff make an adjustment to Salaries and Wages?**

17    A.     Yes.

18  
19    **Q.     What adjustment did Staff make?**

20    A.     Staff decreased salaries and wages by \$14,589 from \$180,508 to \$165,919, in Adjustment  
21             No. 1.

22  
23    **Q.     Why did Staff make this adjustment?**

24    A.     Staff removed bonuses from the salaries and wages. Since the Company had an  
25             operating loss for the test year, the payment of bonuses is not appropriate.

26

1 **Q. What is Staff's recommendation?**

2 A. Staff's recommendation is to decrease salaries and wages by \$14,589 from \$180,508 to  
3 \$165,919. See Schedule CRM-6.

4  
5 **Q. Did Staff make an adjustment to Repairs and Maintenance?**

6 A. Yes.

7  
8 **Q. What adjustment did Staff make?**

9 A. Staff decreased repairs and maintenance expense by \$10,764 from \$76,477 to \$65,713, in  
10 Adjustment No. 2.

11  
12 **Q. Why did Staff make this adjustment?**

13 A. The repairs and maintenance expense is abnormally high in the test year as compared to  
14 other years. Therefore, Staff normalized the expense using the current test year and two  
15 previous years.

16  
17 **Q. What is Staff's recommendation?**

18 A. Staff's recommendation is to decrease repairs and maintenance expense by \$10,764 from  
19 \$76,477 to \$65,713. See Schedule CRM-7.

20  
21 **Q. Did Staff make an adjustment to water testing expense?**

22 A. Yes.

23  
24 **Q. What adjustment did Staff make?**

25 A. Staff increased water testing expense by \$365 from \$11,154 to \$ 11,519, in Adjustment  
26 No. 3.

1     **Q.     Why did Staff make this adjustment?**

2     A.     Staff made the adjustment based on the reasonable average annual water-testing  
3           expenses. (See Staff Engineering Report)

4  
5     **Q,     What is Staff's recommendation?**

6     A.     Staff's recommendation is to increase water testing expense by \$365 from \$11,154 to  
7           \$11,519. See Schedule CRM-8.

8  
9     **Q.     Did Staff make an adjustment to depreciation expense?**

10    A.     Yes.

11  
12   **Q.     What adjustment did Staff make?**

13    A.     Staff decreased depreciation expense by \$1,687 from \$240,272 to \$238,585, in  
14           Adjustment No. 4.

15  
16   **Q     Why did Staff make this adjustment?**

17    A.     Contributions-in-Aid-of-Construction ("CIAC") was increased from \$519,544 to  
18           \$576,462 based on information from the Company. Staff computed the amortization of  
19           CIAC on \$576,462, the correct amount of CIAC. The amortization was increased by  
20           \$1,687 from \$15,390 to \$17,077. Staff concurs with the Company percentage for  
21           computing amortization. See Schedule CRM-9.

22  
23   **Q.     Did Staff make an adjustment to property taxes expense?**

24    A.     Yes.

25

1     **Q.     What adjustment did Staff make?**

2     A.     Staff increased property taxes by \$2,897 from \$27,334 to \$35,122 in Adjustment No. 5.

3  
4     **Q.     Why did Staff make this adjustment?**

5     A.     Staff made supplemental adjustments to property taxes by \$7,788 to reflect Staff's  
6           adjusted test year and recommended revenues. Using the modified Arizona Department  
7           of Revenue property tax methodology, Staff increased property tax in the test year by  
8           \$4,891 and increased property tax in Staff recommended operating expense by \$2,897.

9  
10    **Q.     What is Staff's recommendation?**

11    A.     Staff's recommendation is to increase property taxes by \$7,788 from \$27,334 to \$35,122.  
12           See Schedule CRM-10.

13  
14    **Q.     Did Staff make an adjustment to income tax expense?**

15    A.     Yes.

16  
17    **Q.     What adjustment did Staff make?**

18    A.     Staff increased income taxes by \$26,026 from a negative \$26,026 to zero, in Adjustment  
19           No. 6.

20  
21    **Q.     Why did Staff make this adjustment?**

22    A.     Staff made this adjustment because the Company is a Sub-Chapter "S" Corporation and  
23           is not subject to income tax expense.

24

1     **Q.     What is Staff's recommendation?**

2     A.     Staff's recommendation is to allow no income tax expense. See schedule CRM-11.

3  
4     **Q.     Did Staff make an adjustment to Regulatory Commission Expense – Rate Case?**

5     A.     Yes.

6  
7     **Q.     What adjustment did Staff make?**

8     A.     Staff changed the expense treatment from amortization to normalization. Staff did not  
9           make any adjustment to the amount of the expense.

10  
11    **Q.     Why did Staff make this adjustment?**

12    A.     Expenses are normalized not amortized.

13  
14    **Q.     What is Staff's recommendation?**

15    A.     Staff recommends that this expense be normalized, but at the amount proposed by the  
16           Company.

17  
18    **REVENUE REQUIREMENT**

19    **Q.     Did Staff make an adjustment to the proposed revenue requirement?**

20    A.     Yes.

21  
22    **Q.     What adjustment did Staff make?**

23    A.     Staff decreased the proposed revenue requirement by \$53,020 from \$763,355 to  
24           \$710,333.

25

1     **Q.     Why did Staff make this adjustment?**

2     A.     The adjustment to the proposed revenue requirement accounts for the adjustments that  
3             were made to expenses. Staff's recommendation would decrease the Company's  
4             proposed operating revenue by \$53,022.

5  
6     **Q.     What is Staff's recommendation?**

7     A.     Staff recommends a revenue requirement of \$710,333 which reflects a 10.00 percent  
8             operating margin. See Schedule CRM-1.

9  
10    **RATE DESIGN**

11   **Q     Have you prepared a schedule summarizing the present, Company proposed, and**  
12       **Staff recommended rates and service charges?**

13   A.     Yes. A summary of the present, Company proposed, and Staff recommended rates and  
14             service charges are provided on Schedule CRM-12.

15  
16   **Q.     Would you please summarize the current rate design?**

17   A.     The present monthly minimum charges by meter sizes are as follows: 5/8 x 3/4 inch  
18             \$6.50; 3/4 inch \$6.50, 1 inch \$9.00; 1 1/2 inch \$13.00, 2 inch \$19.50; 3 inch \$25.00; 4  
19             inch \$32.00; 6 inch \$40.00. The monthly minimum charge varies for each meter size and  
20             type of customer. No gallons are included in the monthly minimum charge. The 5/8 x  
21             3/4-inch commodity rates include inverted three tiers with various break over points. The  
22             tier breaks are zero to 5,000 gallons, 5,001 to 10,000 gallons and over 10,000 gallons.  
23             The tiers rates are \$1.25, \$1.45, \$1.65, per 1,000 gallons. Larger meter sizes have  
24             inverted three tiers with rates of \$1.25, \$1.45 and \$1.65 with various, break over points.

1 The 2-inch standpipe has a monthly minimum charge of \$19.50 and commodity rate per  
2 1,000 gallons of \$1.25. The 6-inch standpipe has a monthly minimum charge of \$40.00  
3 and commodity rate per 1,000 gallons of \$1.25. See Schedule CRM-12.

4  
5 **Q. Would you please summarize the Company's proposed rate design?**

6 **A.** The proposed monthly minimum charges by meter sizes are as follows: 5/8 x 3/4 inch  
7 \$8.26; 3/4 inch \$8.26, 1 inch \$10.32; 1 1/2 inch \$20.64, 2 inch \$33.02; 3 inch \$66.04; 4  
8 inch \$103.19; 6 inch \$206.48. The monthly minimum charge varies for each meter size  
9 and type of customer. No gallons are included in the monthly minimum charge. The 5/8  
10 x 3/4-inch commodity rates include inverted three tiers with various break over points.  
11 The tiers breaks are zero to 4,000 gallons, 4,001 to 10,000 gallons and over 10,000  
12 gallons. The tiers rates are \$1.45, \$1.94, \$2.51, respectively, per 1,000 gallons. Larger  
13 meter sizes have inverted two tiers of \$1.94 and \$2.51 with various tier break over points.

14  
15 The 2-inch standpipe has a monthly minimum charge of \$33.02 and a commodity rate per  
16 1,000 gallons of \$2.51. The 6-inch standpipe has a monthly minimum charge of \$206.38  
17 and a commodity rate per 1,000 gallons of \$2.51. See Schedule CRM-12.

18  
19 **Q. Would you please summarize Staff's recommended rate design?**

20 **A.** Staff's recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4  
21 inch, \$8.25; 3/4 inch, \$9.28; 1 inch, \$10.32; 1 1/2 inch, \$20.64; 2 inch, \$33.02; 3 inch,  
22 \$66.04; 4 inch, \$103.19; 6 inch, \$206.48. The monthly minimum charge varies for each  
23 meter size and type of customer. No gallons are included in the monthly minimum  
24 charge. The 5/8 x 3/4-inch commodity rates include inverted three tiers with various  
25 break over points. The tiers breaks are zero to 4,000 gallons 4,001 to 10,000 gallons and  
26 over 10,000 gallons. The tiers rates are \$1.35 \$1.90, \$2.50, respectively, per 1,000

1 gallons. Larger meter sizes have inverted two tiers with rates of \$1.90 and \$2.50 and  
2 various tiers break over points.

3  
4 The 2-inch standpipe has no monthly minimum charge and a commodity rate per 1,000  
5 gallons of \$2.50. The 6-inch standpipe has no monthly minimum charge and a  
6 commodity rate per 1,000 gallons of \$2.50. See Schedule CRM-12.

7  
8 **Q. What is the rate impact on a typical 5/8 x 3/4 inch meter residential customer?**

9 A. The median usage of residential 5/8 x 3/4 inch meter customers is 3,500 gallons per  
10 month. The median residential 5/8 x 3/4 inch-meter customers would experience a \$2.46  
11 or 22.62 percent increase in their monthly bill from \$10.88 to \$13.34 under the  
12 Company's proposed rates and a \$2.10 or 19.31 percent increase in their monthly bill  
13 from \$10.88 to \$12.98, under Staff's recommended rates. See Schedule CRM-12. For  
14 the typical bill analysis for the 5/8 x 3/4 inch meter residential see Schedule CRM-13.

15  
16 **Q. Did Staff make any adjustments to the Company's proposed Meter and Service Line**  
17 **Charges?**

18 A. No.

19  
20 **Q. Did Staff make any adjustments to the Company's proposed other service charges?**

21 A. Yes.

22  
23 **Q. What adjustment did Staff make?**

24 A. The Company added the word franchise in the sentence: "In addition to the collection of  
25 regular rates, each utility may collect from its customers a proportionate share of any



1 privilege, sales or use and franchise tax". Staff removed the word franchise from the  
2 sentence. See Schedule CRM-12.

3  
4 **Q. Why did Staff make this adjustment?**

5 A. The word franchise was incorrectly inserted by the Company and is not shown or used in  
6 A.C.C. R-14-2-409-D.5.

7  
8 **Q. What is Staff's recommendation?**

9 A. Staff recommends using the wording in A.C.C. R-14-2-409.D.5: "In addition to the  
10 collection of regular rates, each utility may collect from its customers a proportionate  
11 share of any privilege, sales or use tax".

12  
13 **Q. What other adjustment did Staff make?**

14 A. Staff made a change in the wording of the late charge. The Company stated "1.50  
15 percent per month" as a late charge.

16  
17 **Q. Why did Staff make this adjustment?**

18 A. To clarify the wording of the late charge tariff. Staff recommends that the late charge be  
19 stated as "1.50 percent of the unpaid balance per month".

20  
21 **Q. What is Staff's recommendation?**

22 A. Staff recommends its service charges as reflected on Schedule CRM-12.  
23

1     **Q.     What additional adjustment did Staff make?**

2     A.     Staff removed the language, "all advances and/or contributions are to include labor,  
3             materials, overheads and all applicable taxes" from the Company's proposed tariff.

4  
5     **Q.     Why did Staff make this adjustment?**

6     A.     This item is addressed separately in the Arizona Administrative Code. It should not be  
7             included in the tariff.

8  
9     **Q.     What is Staff's recommendation?**

10    A.     Staff recommends the removal of this item from the tariff. See schedule CRM-12.

11  
12    **RECOMMENDATIONS**

13    **Q.     What is Staff recommending?**

14    A.     Approval of Staff's rates and charges as shown on Schedule CRM-12. In addition to  
15             collection of its regular rates and charges, the Company may collect from its customers  
16             the proportionate share of any privilege, sales or use tax per Commission Rule (14-2-  
17             409D.5).

18  
19             The Company be ordered to docket a tariff of the approved rates and charges within 30  
20             days after the Decision in this matter is issued.

21  
22             The Company be ordered to use the depreciation rates delineated in Table H-1 of the  
23             Engineering Report on a going forward basis.

24  
25             Non-account water should be 10 percent or less and never more than 15 percent. The  
26             Continental water system reported a water loss of 10.07 percent, and the Sahuarita

1 Highlands water system water loss was approximately 13.3 percent for test year 2007.  
2 Staff recommends that the Company evaluate these two water systems and prepare a  
3 report for corrective measures demonstrating how the Company will reduce its water loss  
4 to less than 10 percent. Water loss shall be reduced to less than 10 percent by December  
5 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not  
6 cost-effective, the Company shall submit a detailed cost analysis and explanation  
7 demonstrating why water loss reduction to less than 10 percent is not cost effective. The  
8 Company shall file such report with Docket Control as a compliance item in this docket  
9 by June 30, 2010.

10  
11 **Q. Does this conclude your Direct Testimony?**

12 **A. Yes, it does.**

Farmers Water Company  
Docket No. W-01654A-08-0502  
Test Year Ended September 30, 2007

**DIRECT TESTIMONY OF CHARLES R. MYHLHOUSEN**

**TABLE OF CONTENTS TO SCHEDULES**

<u>SCH #</u>	<u>TITLE</u>
CRM-1	REVENUE REQUIREMENT
CRM-2	RATE BASE-ORIGINAL COST
CRM-3	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
CRM-4	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
CRM-5	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
CRM-6	OPERATING INCOME ADJUSTMENT # 1 SALARIES AND WAGES
CRM-7	OPERATING INCOME ADJUSTMENT # 2 REPAIRS AND MAINTENANCE
CRM-8	OPERATING INCOME ADJUSTMENT # 3- WATER TESTING
CRM-9	OPERATING INCOME ADJUSTMENT # 4 - DEPRECIATION
CRM-10	OPERATING INCOME ADJUSTMENT # 5 PROPERTY TAXES
CRM-11	OPERATING INCOME ADJUSTMENT # 6 - INCOME TAXES
CRM-12	RATE DESIGN
CRM-13	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base - Fair Value equals Original Cost	\$ (748,646)	\$ (748,646)	\$ (748,646)	\$ (748,646)
2	Adjusted Operating Income Loss	\$ (68,860)	\$ (68,860)	\$ (73,103)	\$ (73,103)
3	Current Operating Margin	-12.22%	-12.22%	10.00%	10.00%
4	Required Operating Margin L3/L4	10.28%	10.28%	10.00%	10.00%
5	Required Operating Income	\$ 76,335	\$ 76,335	\$ 71,050	\$ 71,050
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 200,072	\$ 200,072	\$ 147,050	\$ 147,050
7	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1.0000
8	Required Revenue Increase/(Decrease) (L7 * L6)	\$ 200,072	\$ 200,072	\$ 147,050	\$ 147,050
9	Adjusted Test Year Revenue	\$ 563,283	\$ 563,283	\$ 563,283	\$ 563,283
10	Proposed Annual Revenue (L8 + L9)	\$ 763,355	\$ 763,355	\$ 710,333	\$ 710,333
11	Required Increase/(Decrease) in Revenue (%)	35.52%	35.52%	26.11%	26.11%
12	Rate of Return on Equity (%)	NMF	NMF	NMF	NMF
13	Operating Margin (L5/L10)	10.00%	10.00%	10.00%	10.00%

References:

Columns [A] and [B]: Company Schedules

Columns [C] and [D]: STAFF Schedules CRM-2, CRM-3 and CRM-5

NMF - Not Meaningful

**RATE BASE - ORIGINAL COST**

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 8,630,976	\$ 8,630,976
2	Less: Accumulated Depreciation	2,039,595	2,039,595
3	Net Plant in Service	<u>\$ 6,591,381</u>	<u>\$ 6,591,381</u>
<b>LESS:</b>			
4	Contributions in Aid of Construction (CIAC)	\$ 576,492	\$ 576,492
5	Less: Accumulated Amortization	111,381	111,381
6	Net CIAC	<u>465,111</u>	<u>465,111</u>
7	Advances in Aid of Construction (AIAC)	6,874,915	\$ 6,874,915
8	Customer Deposits	-	-
9	Deferred Income Tax Credits	-	-
<b>ADD:</b>			
10	Unamortized Finance Charges	-	-
11	Deferred Income Tax Debits	-	-
12	Working Capital	-	-
13	Intentionally Left Blank	-	-
17	<b>Original Cost Rate Base</b>	<u>\$ (748,646)</u>	<u>\$ (748,646)</u>

**References:**

Column [A], Company Schedule B-1  
Column [B]: Column [C] - Column [A]

SUMMARY OF PLANT IN SERVICE

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED Revised Schedule B-2	(B) STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>				
1		Intangible Plant		
2	301.00	Organization	\$ 6,893	\$ 6,893
3	302.00	Franchises	-	-
4	303.00	Land & Land Rights	-	-
5		Subtotal Intangible	6,893	6,893
6				
7		Source of Supply		
8	304.00	Structures & Improvements	\$ 14,565	\$ 14,565
9	305.00	Collecting and Impounding Res.	-	-
10	306.00	Lake River and Other Intakes	-	-
11	307.00	Wells and Springs	694,075	694,075
12	308.00	Infiltration Galleries and Tunnels	-	-
13	309.00	Supply Mains	-	-
14	310.00	Power Generating Equipment	-	-
15	311.00	Electric Pumping Equipment	269,905	269,905
16	312.00	Collecting & Impounding Reservoirs	-	-
17	313.00	Lakes, Rivers, Other Intakes	-	-
18		Subtotal Source of Supply	978,545	978,545
19				
20		Water Treatment		
21	320.00	Water Treatment Equipment (Chemical Solution Feeders)	\$ 10,482	\$ 10,482
22	321.00	Structures & Improvements	-	-
23	323.00	Other Power Production	-	-
24	325.00	Electric Pumping Equipment	-	-
25	326.00	Diesel Pumping Equipment	-	-
26	328.10	Gas Engine Pumping Equipment	-	-
27		Subtotal Water Treatment	10,482	10,482
28				
29		Transmission & Distribution		
30	330.00	Distribution Reservoirs & Standpipe (Storage Tank)	\$ 467,978	\$ 467,978
31	331.00	Transmission and Distribution Mains	5,821,757	5,821,757
32	332.00	Services	806,566	806,566
33	334.00	Meters	198,942	198,942
34	335.00	Hydrants	233,265	233,265
35	336.00	Backflow Prevention Devices	-	-
36	339.00	Other Plant and Miscellaneous Equipment	-	-
37		Subtotal Transmission & Distribution	7,528,508	7,528,508
38				
39		General Plant		
40	340.00	Office Furniture and Equipment	\$ -	\$ -
41	340.10	Computer and Software	54,488	54,488
42	341.00	Transportation Equipment	52,060	52,060
43	342.00	Stores Equipment	-	-
44	343.00	Tools and Work Equipment	-	-
45	344.00	Laboratory Equipment	-	-
46	345.00	Power Operated Equipment	-	-
47	346.00	Communications Equipment	-	-
48	347.00	Miscellaneous Equipment	-	-
49	349.00	Other Tangible Plant	-	-
50		Plant Held for Future Use	-	-
51		Subtotal General Plant	106,548	106,548
52				
53		Total	8,630,976	8,630,976
54	Add:			
55			-	-
56			-	-
57	Less:			
58			-	-
59			-	-
60	Total Plant in Service		\$ 8,630,976	\$ 8,630,976
61	Less: Accumulated Depreciation		2,039,595	2,039,595
62	Net Plant in Service (L59 - L 60)		6,591,381	6,591,381
63				
64	LESS:			
65	Contributions in Aid of Construction (CIAC)		\$ 576,492	\$ 576,492
66	Less: Accumulated Amortization		111,381	111,381.0
67	Net CIAC (L25 - L26)		465,111	465,111
68	Advances in Aid of Construction (AIAC)		6,874,915	6,874,915.0
71	Customer Deposits		-	-
72	Deferred Income Tax Credits		-	-
75	ADD:			
76	Unamortized Finance Charges		\$ -	\$ -
77	Deferred Income Tax Debits		-	-
78	Working Capital		-	-
79	Intentionally Left Blank		-	-
80	Original Cost Rate Base		(748,646)	(748,646)

References:

Column (A): Company Schedule B-1  
Column (B): Staff Adjusted

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
<b>REVENUES:</b>						
1	Metered Water Sales	\$ 551,198	\$ -	\$ 551,198	\$ 147,050	\$ 698,248
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	12,085	-	12,085	-	12,085
4	<b>Total Operating Revenues</b>	<b>\$ 563,283</b>	<b>\$ -</b>	<b>\$ 563,283</b>	<b>\$ 147,050</b>	<b>\$ 710,333</b>
<b>OPERATING EXPENSES:</b>						
7	Salaries and Wages	\$ 180,508	(14,589) 1	\$ 165,919	\$ -	\$ 165,919
8	Purchased Water	-	-	-	-	-
9	Purchased Power	17,400	-	17,400	-	17,400
10	Chemicals	-	-	-	-	-
11	Repairs and Maintenance	76,477	(10,764) 2	65,713	-	65,713
12	Office Supplies and Expense	15,427	-	15,427	-	15,427
13	Outside Services	15,105	-	15,105	-	15,105
14	Water Testing	11,154	365 3	11,519	-	11,519
15	Rents	-	-	-	-	-
16	Transportation Expenses	2,018	-	2,018	-	2,018
17	Insurance - General Liability	3,317	-	3,317	-	3,317
18	Insurance - Health and Life	22,691	-	22,691	-	22,691
	Insurance - Worker's Compensation	7,832	-	7,832	-	7,832
19	Reg. Comm. Exp.- Rate Case	15,000	-	15,000	-	15,000
20	Miscellaneous Expenses	8,494	-	8,494	-	8,494
21	Depreciation Expense	240,272	(1,687) 4	238,585	-	238,585
22	Taxes Other than Income	15,140	-	15,140	-	15,140
23	Property Taxes	27,334	4,891 5	32,225	2,897	35,122
24	Income Taxes	(26,026)	26,026 6	-	-	-
25	Intentionally Left blank(Rounding)	-	-	-	-	-
27	<b>Total Operating Expenses</b>	<b>632,143</b>	<b>4,243</b>	<b>636,386</b>	<b>2,897</b>	<b>639,283</b>
28	<b>Operating Income (Loss)</b>	<b>\$ (68,860)</b>	<b>\$ (4,243)</b>	<b>\$ (73,103)</b>	<b>\$ 144,153</b>	<b>\$ 71,050</b>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony  
Column (C): Column (A) - Column (B)  
Column (D): Schedules CRM-5 & 6  
Column (E): Column (C) + Column (D)



Farmers Water Company  
Docket No. W-01654A-08-0502  
Test Year Ended September 30, 2007

## SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Salaries and Wages	[C] ADJ #2 Repairs and Maintenance	[D] ADJ #3 Water Testing Expense	[F] ADJ #4 Depreciation Expense	[G] ADJ #5 Property Taxes Expense	[H] ADJ #6 Income Taxes Expense	[M] STAFF ADJUSTED
<b>REVENUES:</b>									
1	Metered Water Sales	\$ 551,198	-	-	-	-	-	-	\$ 551,198
2	Water Sales - Unmetered	-	-	-	-	-	-	-	-
3	Other Operating Revenue	12,085	-	-	-	-	-	-	-
4	Total Operating Revenues	\$ 563,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 563,283
<b>OPERATING EXPENSES:</b>									
7	Salaries and Wages	\$ 180,508	\$ (14,589)	-	-	-	-	-	\$ 165,919
8	Purchased Water	-	-	-	-	-	-	-	-
9	Purchased Power	17,400	-	-	-	-	-	-	17,400
10	Chemicals	-	-	-	-	-	-	-	-
11	Repairs and Maintenance	76,477	-	(10,764)	-	-	-	-	65,713
12	Office Supplies and Expense	15,427	-	-	-	-	-	-	15,427
13	Outside Services	15,105	-	-	-	-	-	-	15,105
14	Water Testing	11,154	-	-	365	-	-	-	11,519
15	Rents	-	-	-	-	-	-	-	-
16	Transportation Expenses	2,018	-	-	-	-	-	-	2,018
17	Insurance - General Liability	3,317	-	-	-	-	-	-	3,317
18	Insurance - Health and Life	22,691	-	-	-	-	-	-	22,691
19	Insurance - Worker's Compensation	7,832	-	-	-	-	-	-	7,832
20	Reg. Comm. Exp. - Rate Case	15,000	-	-	-	-	-	-	15,000
21	Miscellaneous Expenses	8,494	-	-	-	-	-	-	8,494
22	Depreciation Expense	240,272	-	-	-	(1,687)	-	-	238,585
23	Taxes Other than Income	15,140	-	-	-	-	-	-	15,140
24	Property Taxes	27,334	-	-	-	-	4,891	-	32,225
25	Income Taxes	(26,026)	-	-	-	-	-	26,026	-
26	Intentionally Left blank(Rounding)	-	-	-	-	-	-	-	-
27	Total Operating Expenses	\$ 632,143	\$ (14,589)	\$ (10,764)	\$ 365	\$ (1,687)	\$ 4,891	\$ 26,026	\$ 636,366
28	Operating Income (Loss)	\$ (68,860)	\$ 14,589	\$ 10,764	\$ (365)	\$ 1,687	\$ (4,891)	\$ (26,026)	\$ (73,103)

ADJ #	Reference:
1	Schedule CRM-6
2	Schedule CRM-7
3	Schedule CRM-8
4	Schedule CRM-9
5	Schedule CRM-11
6	Schedule CRM-12

**OPERATING INCOME ADJUSTMENT #1 - Salaries and Wages**

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Salaries and wages	\$ 180,508	\$ (14,589)	\$ 165,919
		W Culbertson - Salary	50,000	-	50,000
		W Culbertson - Bonus	60,896	\$ 60,896	-
		J Miller - Salary	50,289	-	50,289
		J Miller - Bonus	1,860	1,860	-
		Gonzalo Ibarra - Salary	33,461	-	33,461
		Gonzalo Ibarra - Bonus	1,231	\$ 1,231	-
		C McManus - Salary	7,180	-	7,180
		C McManus - Bonus	325	\$ 325	-
		C Melendez-Ortiz - Salary	24,989	-	24,989
		C Melendez-Ortiz - Bonus	843	843	-
				-	-
		Bonuses		\$ 65,155	-
		Adjusted Salaries and Wages per application	180,508		
		Staff's recommendation			165,919

**References:**

Col [A]: Company Schedule C-1  
 Col [B]: Col [C] - Col [A]  
 Col [C]: CRM Testimony

Farmers Water Company  
 Docket No. W-01654A-08-0502  
 Test Year Ended September 30, 2007

Schedule CRM-7

**OPERATING INCOME ADJUSTMENT #2 - Repairs and Maintenance**

Line No.	Acct. #	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	620	Repairs and Maintenance Expense	\$ 76,477	\$ (10,764)	\$ 65,713
		Repairs and Maintenance	<u>9/30/2007</u>	76,477	
		Normalized over three years	<u>9/30/2006</u>	97,575	
			<u>9/30/2005</u>	<u>23,088</u>	
		Normalized		<u>65,713</u>	

References:

Col [A]: Company Schedule C-1  
 Col [B]: Col [C] - Col [A]  
 Col [C]: CRM Testimony

Farmers Water Company  
Docket No. W-01654A-08-0502  
Test Year Ended September 30, 2007

Schedule CRM-8

**OPERATING INCOME ADJUSTMENT #3 - WATER TESTING**

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	\$ 11,154	\$ 365	\$ 11,519

References:

Col [A]: Company Schedule C-1  
Col [B]: Col [C] - Col [A]  
Col [C]: CRM Testimony  
Increase in Water Testing expense

11,154

11,519

365

OPERATING INCOME ADJUSTMENT #4 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation Expense	\$ 240,272	\$ (1,687)	\$ 238,585
2				
3				
4	NO. DESCRIPTION	AMOUNT	RATE	EXPENSE
5	Plant In Service			
6	301 Organization	\$ 6,893	0.00%	\$ -
7	302 Franchises	-	0.00%	\$ -
8	303 Land and Land Rights	-	0.00%	\$ -
9	304 Structures & Improvements	14,565	3.33%	\$ 485
10	305 Collecting & Impounding Reservoirs	-	2.50%	\$ -
11	306 Lakes, Rivers, Other Intakes	-	2.50%	\$ -
12	307 Wells and Springs	694,075	3.33%	\$ 23,113
13	308 Infiltration Galleries and Tunnels	-	6.67%	\$ -
14	309 Supply Mains	-	2.00%	\$ -
15	310 Power Generation Equipment	-	5.00%	\$ -
16	311 Electric Pumping Equipment	269,905	12.50%	\$ 33,738
17	320.2 Water Treatment Equipment	10,482	20.00%	\$ 2,098
18	330.1 Distribution Reservoirs & Standpipes	467,978	2.22%	\$ 10,389
19	331 Transmission & Distribution Mains	5,821,757	2.00%	\$ 116,435
20	333 Services	806,566	3.33%	\$ 26,859
21	334 Meters & Meter Installation	198,942	8.33%	\$ 16,572
22	335 Hydrants	233,265	2.00%	\$ 4,665
23	336 Backflow Prevention Devices	-	6.67%	\$ -
24	339 Other Plant & Misc. Equipment	-	6.67%	\$ -
25	340.1 Office Furniture & Equipment	54,488	20.00%	\$ 10,898
26	341 Transportation Equipment	52,060	20.00%	\$ 10,412
27	342 Stores Equipment	-	4.00%	\$ -
28	343 Tools, Shop & Garage Equipment	-	5.00%	\$ -
29	344 Laboratory Equipment	-	10.00%	\$ -
30	345 Power Operated Equipment	-	5.00%	\$ -
31	346 Communication Equipment	-	10.00%	\$ -
32	347 Miscellaneous Equipment	-	10.00%	\$ -
33	348 Other Tangible Plant	-	3.33%	\$ -
34				
35	Subtotal General	\$ 8,630,976		\$ 255,662
36	Less: Non- depreciable Account(s) (L2 + L3)	-		
37	Depreciable Plant (L29-L30)	\$ 8,630,976		
38				
39	Contributions-in-Aid-of-Construction (CIAC)	\$ 576,492		
40	Composite Depreciation/Amortization Rate	2.96%		
41	Less: Amortization of CIAC (L34 x L35)			\$ 17,077
42	Depreciation Expense - STAFF [Col. (C), L30 - L36]			\$ 238,585

**OPERATING INCOME ADJUSTMENT #5 - PROPERTY TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2006	\$ 563,283	\$ 563,283
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,126,566	\$ 1,126,566
4	Staff Recommended Revenue	563,283	\$ 710,333
5	Subtotal (Line 4 + Line 5)	\$ 1,689,849	\$ 1,836,899
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 563,283	\$ 612,300
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,126,566	\$ 1,224,599
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	35,933	35,933
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,090,633	\$ 1,188,666
13	Assessment Ratio	23.00%	23.00%
14	Assessment Value (Line 12 * Line 13)	\$ 250,846	\$ 273,393
15	Composite Property Tax Rate - Obtained from ADOR	12.8467%	12.8467%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 32,225	
17	Company Proposed Property Tax	27,334	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 4,891	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 35,122
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 32,225
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		\$ 2,897
22	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)	\$	2,897
23	Increase (Decrease) in Revenue Requirement	\$	147,050
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.96983%

**REFERENCES:**

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue  
Line 17: Company Schedule C-1 Page 2  
Line 21: Line 19 - Line 20  
Line 23: Schedule CRM-1

Farmers Water Company  
Docket No. W-01654A-08-0502  
Test Year Ended September 30, 2007

Schedule CRM-11

**OPERATING INCOME ADJUSTMENT #6- INCOME TAXES**

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ (26,026)	\$ 26,026	\$ -

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Schedule CRM-2, Line 52

**RATE DESIGN**

	Present Rates	Company Proposed	Staff Recommended
<b>Monthly Minimum</b>			
5/8-Inch Meter Residential	\$ 6.50	\$ 8.26	\$ 8.25
5/8-Inch Meter Commercial	\$ 6.50	\$ 8.26	\$ 8.25
5/8-Inch Meter Industrial	\$ 6.50	\$ 8.26	\$ 8.25
3/4-Inch Meter	\$ 6.50	\$ 8.26	\$ 9.28
1-Inch Meter Residential	\$ 9.00	\$ 10.32	\$ 10.32
1-Inch Meter Commercial	\$ 9.00	\$ 10.32	\$ 10.32
1-Inch Meter Industrial	\$ 9.00	\$ 10.32	\$ 10.32
1 1/2-Inch Meter Multi-Family	\$ 13.00	\$ 20.64	\$ 20.64
1 1/2-Inch Meter Commercial	\$ 13.00	\$ 20.64	\$ 20.64
2-Inch Meter Multi-Family	\$ 19.50	\$ 33.02	\$ 33.02
2-Inch Meter Commercial	\$ 19.50	\$ 33.02	\$ 33.02
3-Inch Meter Commercial	\$ 25.00	\$ 66.04	\$ 66.04
4-Inch Meter Industrial	\$ 32.00	\$ 103.19	\$ 103.19
6-Inch Meter Multi-Family	\$ 40.00	\$ 206.38	\$ 206.38
2-Inch Standpipe	\$ 19.50	\$ 33.02	\$ -
6-Inch Standpipe	\$ 40.00	\$ 206.38	\$ -

**Gallons in the Minimum**

**Commodity Rates**

**Per 1,000 Gallons**

<b>5/8-Inch Meter-Residential</b>	<b>Tiers</b>				
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,001 - 10,000 Gall	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - 4,000 Gallons	\$ -	\$ 1.45	\$ 1.35	
	4,001 - 10,000 Gall	\$ -	\$ 1.94	\$ 1.90	
	Over 10,000 Gallon	\$ -	\$ 2.51	\$ 2.50	
<b>5/8-Inch Meter-Commercial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,001 - 10,000 Gall	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - 10,000 Gallons	\$ -	\$ 1.94	\$ 1.90	
	Over 10,000 Gallon	\$ -	\$ 2.51	\$ 2.50	
<b>5/8-Inch Meter-Industrial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,001 - 10,000 Gall	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - 10,000 Gallons	\$ -	\$ 1.94	\$ 1.90	
	Over 10,000 Gallon	\$ -	\$ 2.51	\$ 2.50	
<b>3/4-Inch Meter Residential and Commercial Industrial</b>					
	0 - 4,000 Gallons	n/a	n/a	\$ 1.35	
	4,001 to 7,000 Gall	n/a	n/a	\$ 1.90	
	Over 7,000 Gallons	n/a	n/a	\$ 2.50	
<b>1-Inch Meter Residential and Commercial Industrial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 to 12,000 Gallons	NA	\$ 1.94	\$ 1.90	
	Over 12,000 Gallon	NA	\$ 2.51	\$ 2.50	
<b>1 1/2-Inch Meter: Multi-Family and Commercial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - to 25,000 gallon	\$ -	\$ 1.94	\$ 1.90	
	Over 25,000 Gallon	\$ -	\$ 2.51	\$ 2.50	
<b>2-Inch Meter Multi-Family and Commercial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - 40,000 Gallons	\$ -	\$ 1.94	\$ 1.90	
	Over 40,000 Gallon	\$ -	\$ 2.51	\$ 2.50	
<b>3-Inch Meter Commercial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - 80,000 Gallons	\$ -	\$ 1.94	\$ 1.90	
	Over 80,000 Gallon	\$ -	\$ 2.51	\$ 2.50	
<b>4-Inch Meter Industrial</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - to 125,000 Gall	\$ -	\$ 1.94	\$ 1.90	
<b>Proposed Company</b>	Over 125,000 Gall	\$ -	\$ 2.51	\$ 2.50	
<b>6-Inch Meter Multi-Family</b>					
	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
<b>Proposed Company</b>	0 - 250,000 gallons	\$ -	\$ 1.94	\$ -	
	Over 250,000 Gall	\$ -	\$ 2.51	\$ -	
<b>2-Inch Standpipe</b>	<b>Proposed Company</b>	Per 1,000 Gallons	\$ 1.25	\$ 2.51	\$ 2.50
<b>6-Inch Standpipe</b>	<b>Proposed Company</b>	Per 1,000 Gallons	\$ 1.25	\$ 2.51	\$ 2.50



	Present Service Line Charge	Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Meter Installation Charge	Total Recommended Charge
<b>Meter and Service Line Installation Charges</b>									
5/8 x 3/4-inch Meter	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4-inch Meter	\$ 385.00	\$ 215.00	\$ 600.00	\$ 415.00	\$ 205.00	\$ 620.00	\$ 415.00	\$ 205.00	\$ 620.00
1-inch Meter	\$ 435.00	\$ 255.00	\$ 690.00	\$ 465.00	\$ 265.00	\$ 730.00	\$ 465.00	\$ 265.00	\$ 730.00
1 1/2-inch Meter	\$ 470.00	\$ 485.00	\$ 935.00	\$ 520.00	\$ 475.00	\$ 995.00	\$ 520.00	\$ 475.00	\$ 995.00
2-inch Turbine Meter	\$ 630.00	\$ 965.00	\$ 1,595.00	\$ 800.00	\$ 995.00	\$ 1,795.00	\$ 800.00	\$ 995.00	\$ 1,795.00
2-inch Compound Meter	\$ 630.00	\$ 1,690.00	\$ 2,320.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00
3-inch Turbine Meter	\$ 805.00	\$ 1,470.00	\$ 2,275.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00
3-inch Compound Meter	\$ 845.00	\$ 2,265.00	\$ 3,110.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00
4-inch Turbine Meter	\$ 1,170.00	\$ 2,350.00	\$ 3,520.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00
4-inch Compound Meter	\$ 1,230.00	\$ 3,245.00	\$ 4,475.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00
6-inch Turbine Meter	\$ 1,730.00	\$ 4,545.00	\$ 6,275.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00
6-inch Compound Meter	\$ 1,770.00	\$ 6,280.00	\$ 8,050.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00
8-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Note: Meter charge includes meter box or vault.

Docket No. W-01654A-08-0502  
Test Year Ended September 30, 2007

	Present Rates	Company Proposed	Staff Recommended
<b>Other Service Charges</b>			
Establishment of Service:	\$ 25.00	\$ 35.00	\$ 35.00
Establishment (After Hours)	\$ 25.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent)	\$ 25.00	\$ 40.00	\$ 40.00
reconnection (delinquent and After Hours)	N/T	\$ 55.00	\$ 55.00
Meter Test (If meter reading correctly)	\$ 25.00	\$ 25.00	\$ 25.00
Hydrant Meter Deposit (refundable)	N/T	\$ 150.00	\$ 150.00
Deposit	.	.	.
Deposit Interest	..	..	6%
Re-Establishment (Within 12 Months)	..	..	..
NSF Check Charge	\$ 20.00	\$ 20.00	\$ 20.00
Deferred Payment Per Month	N/T	1.50%	150%
Meter Re-read (If Correct)	\$ 20.00	\$ 20.00	\$ 20.00
After hours service charge, per Rule R-14-2-403D	N/T	Cost	Cost
Late Charge per month	N/T	1.50%	1.50%
Meter Tampering Charge	N/T	Cost	Cost
Meter Box "Cut Lock" Charge	N/T	Cost	Cost
Meter Box Re-inspection	N/T	Cost	Cost

**Company's Proposed**

- \* Per Commission Rule (R-14-2-403B)
- \*\* Months off system times the minimum Per XCCommission Rule (R14-2-403D)
- N/T No Tariff

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D5)  
All advances and/or contributions are to include labor, materials, overheads, and all applicable taxes.

**Staff's Recommended**

- \* Per rule R14-2-403.B
- \*\* Months off system time the minimum (R-14-2-403.D)
- Late Charge 1.50 percent of the unpaid balance per month.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, or use tax Per Commission Rule (14-2-409.D5)

Typical Bill Analysis  
 Residential 5/8 Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,898	\$ 14.05	\$ 17.74	\$ 3.69	26.26%
Median Usage	3,500	10.88	13.34	\$ 2.46	22.62%

Staff Recommended

Average Usage	5,898	\$ 14.05	\$ 17.26	\$ 3.20	22.80%
Median Usage	3,500	10.88	12.98	\$ 2.10	19.31%

Present & Proposed Rates (Without Taxes)  
 Residential 5/8 Inch Meter

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 6.50	\$ 8.26	27.08%	\$ 8.25	26.92%
1,000	7.75	9.71	25.29%	9.60	23.87%
2,000	9.00	11.16	24.00%	10.95	21.67%
3,000	10.25	12.61	23.02%	12.30	20.00%
3,500	10.88	13.34	22.62%	12.98	19.31%
4,000	11.50	14.06	22.26%	13.65	18.70%
5,000	12.75	16.00	25.49%	15.55	21.96%
5,500	13.48	16.97	25.94%	16.50	22.45%
5,898	14.05	17.74	26.26%	17.26	22.80%
6,000	14.20	17.94	26.34%	17.45	22.89%
7,000	15.65	19.88	27.03%	19.35	23.64%
7,376	16.20	20.61	27.26%	20.06	23.89%
8,000	17.10	21.82	27.60%	21.25	24.27%
9,000	18.55	23.76	28.09%	23.15	24.80%
10,000	20.00	25.70	28.50%	25.05	25.25%
11,000	21.65	28.21	30.30%	27.55	27.25%
12,000	23.30	30.72	31.85%	30.05	28.97%
13,000	24.95	33.23	33.19%	32.55	30.46%
14,000	26.60	35.74	34.36%	35.05	31.77%
15,000	28.25	38.25	35.40%	37.55	32.92%
16,000	29.90	40.76	36.32%	40.05	33.95%
17,000	31.55	43.27	37.15%	42.55	34.87%
18,000	33.20	45.78	37.89%	45.05	35.69%
19,000	34.85	48.29	38.57%	47.55	36.44%
20,000	36.50	50.80	39.18%	50.05	37.12%
25,000	44.75	63.35	41.56%	62.55	39.78%
30,000	53.00	75.90	43.21%	75.05	41.60%
35,000	61.25	88.45	44.41%	87.55	42.94%
40,000	69.50	101.00	45.32%	100.05	43.96%
45,000	77.75	113.55	46.05%	112.55	44.76%
50,000	86.00	126.10	46.63%	125.05	45.41%
75,000	127.25	188.85	48.41%	187.55	47.39%
100,000	168.50	251.60	49.32%	250.05	48.40%

BEFORE THE ARIZONA CORPORATION COMMISSION



KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION OF )  
FARMERS WATER CO., AN ARIZONA )  
CORPORATION, FOR A DETERMINATION )  
OF THE CURRENT FAIR VALUE OF ITS )  
UTILITY PLANT AND PROPERTY AND FOR )  
RATE INCREASES IN ITS RATES AND )  
CHARGES FOR UTILITY SERVICE BASED )  
THEREON )  
\_\_\_\_\_ )

DOCKET NO. W-01654A-08-0502

SURREBUTTAL

TESTIMONY

OF

CHARLES R. MYHLHOUSEN

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 14, 2009

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
REVENUE REQUIREMENT .....	2
RATE BASE .....	2
INCOME STATEMENT .....	2
RATE DESIGN .....	4

## SURREBUTTAL SCHEDULES

Revenue Requirement.....	Surrebuttal Revised CRM-1
Rate base – Original Cost .....	Surrebuttal Revised CRM-2
Operating income Statement.....	Surrebuttal Revised CRM-4
Operating Income Adjustment # 5 Property Tax Expense .....	Surrebuttal Revised CRM-10
Rate Design.....	Surrebuttal Revised CRM-12
Typical Bill Analysis .....	Surrebuttal Revised CRM-13

**EXECUTIVE SUMMARY  
FARMERS WATER COMPANY  
DOCKET NO. W-01654A-08-0502**

The Farmers Water Company ("Farmers" or "Company") originally proposed a revenue requirement of \$763,355, in its Direct Testimony. In its Rebuttal Testimony, the Company has revised its proposed revenue requirement to \$759,404. This would increase revenue by \$196,121 over test year revenue of \$563,283 or a 34.82 percent increase. This revision would produce an operating income of \$75,940 or 10.00 percent operating margin.

Staff's Direct Testimony recommended a revenue requirement of \$710,333. Staff's Surrebuttal Testimony recommends revenue of \$726,887. This would increase revenue by \$163,604 over test year revenues or a 29.04 percent increase. This revision would produce an operating margin of \$72,689 or a 10.00 percent operating margin.

The Company's proposed rates would increase the typical residential customer bill with a median usage of 3,500 gallons by \$2.46 from \$10.88 to \$13.34, for a 22.62 percent increase. Staff's recommend rates would increase the typical residential customer bill with a median usage of 3,500 gallons by \$2.10 from \$10.88 to \$12.98 for a 19.31 percent increase.

Staff concurs with the Company on the rate of operating margin, level of rate base, and the methodology for computing property taxes.

The Company proposed to change deposit interest from 6 percent to 2 percent. Staff recommends that the deposit interest remain at 6 percent.

The Company proposed a tariff of \$50.00 for meter box re-inspection. Staff made an error in its Direct Testimony by recommending cost for this item. This item is addressed in the Arizona Administrative Code R-14-2-407.

Staff recommends its rates and expenses as depicted on Surrebuttal Schedule CRM-12.

**Staff Recommends:**

Staff's rates and charges be approved as shown on Schedule CRM-12. In addition to collection of its regular rates and charges, the Company may collect from its customers the proportionate share of any privilege, sales or use tax per Commission Rule R 14-2-409(D)(5).

The Company be ordered to docket a tariff of the approved rates and charges within 30 days after the Decision in this matter is issued.

The Company be ordered to use the depreciation rates delineated in Table H-1 of the Engineering Report on a going forward basis.

The Company be ordered to evaluate its water systems and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to less than 10 percent. Water loss shall be reduced to less than 10 percent by December 31, 2010. If the Company finds that reduction of water loss to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost effective. The Company shall file such report with Docket Control as a compliance item in this docket by June 30, 2010. In any event water loss shall not exceed 15 percent.

The Company be required to provide separate water use data sheets for domestic water use and construction water use for each of its water systems in future Annual Reports.

1   **INTRODUCTION**

2   **Q.     Please state your name, occupation, and business address.**

3   A.     My name is Charles R. Myhlhousen. I am a Public Utilities Analyst III employed by the  
4           Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division  
5           ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6  
7   **Q.     Are you the same Charles R. Myhlhousen who filed Direct Testimony in this case?**

8   A.     Yes, I am.

9  
10   **Q.    What is the purpose of your Surrebuttal Testimony in this proceeding?**

11   A.    The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of  
12          Staff, to the Rebuttal Testimony of Farmers Water Company ("Farmers" or "Company")  
13          witnesses, Mr. Thomas J. Bourassa and Ms. Heather Triana, regarding revenue  
14          requirement, rate base, income statement and rate design.

15  
16   **Q.    Did you attempt to address every issue the Company raised in its Rebuttal**  
17          **Testimony?**

18   A.    No. Staff limited its discussion to the specific issues as outlined below. Staff's lack of  
19          response to any issue in this proceeding should not be construed as agreement with the  
20          Company's position in its Rebuttal Testimony; rather, where there is no response, Staff  
21          relies on its original Direct Testimony.

22  
23   **Q.    What issues will you address?**

24   A.    Staff will address the issues outlined below that are discussed in the Rebuttal Testimonies  
25          of the Company witnesses Mr. Thomas J. Bourassa and Ms. Heather Triana.

26

1 **Q. Please explain how Staff's Surrebuttal Testimony is organized.**

2 A. Staff's Surrebuttal Testimony is generally organized to present issues in the same  
3 sequence as presented in Mr. Bourassa's and Ms. Triana's Rebuttal Testimonies.  
4

5 **REVENUE REQUIREMENT**

6 **Q. Has Staff adopted the revenue requirement of \$759,404 as proposed by the Company**  
7 **in its Rebuttal Testimony?**

8 A. No.  
9

10 **Q. Did Staff revise the revenue requirement from its Direct Testimony?**

11 A. Yes, Staff's Direct Testimony recommended a revenue requirement of \$710,333. Staff's  
12 Surrebuttal Testimony recommends a revenue requirement of \$726,887. This is an  
13 increase of \$16,554. (See Surrebuttal Revised Schedule CRM-1.)  
14

15 **Q. Why did Staff increase its revenue requirement?**

16 A. Staff is recommending increasing salaries and wages expense and property taxes expense.  
17 These will be discussed later.  
18

19 **RATE BASE**

20 **Q. Does the Company and Staff agree on rate base?**

21 A. Yes. (See Surrebuttal Revised Schedule CRM-2.)  
22

23 **INCOME STATEMENT**

24 **Q. Does the Company agree with Staff's adjustment to salaries and wages in Staff's**  
25 **Direct Testimony?**

26 A. No.



1     **Q.     Did Staff change its recommendation to adjust salaries and wages from its Direct**  
2     **Testimony?**

3     A.     Yes. Staff no longer recommends its previous disallowance.  
4

5     **Q.     Why is Staff changing its recommendation and reversing its earlier removal of**  
6     **\$14,589?**

7     A.     The Company supplied information in its Rebuttal Testimony to clarify that these  
8     additional wages were not bonuses. This amount represents wages paid to compensate for  
9     the loss of a pay period during the year when the Company changed its payroll periods.  
10    (See Surrebuttal Revised Schedule CRM-4.)  
11

12    **Q.     Does Staff agree with the proposed Rebuttal property taxes?**

13    A.     No. Although Staff and the Company agree on the method to compute property taxes, the  
14    resulting amount is based on test year revenue and recommended revenue. Since Staff is  
15    recommending a lower revenue requirement, the resulting property tax amount is also  
16    lower. (See Surrebuttal Revised Schedule CRM-10.)  
17

18    **Q.     Does Staff agree with the Company-proposed income taxes for Sub-chapter S**  
19    **corporations?**

20    A.     No. Staff does not recommend inclusion of income taxes for Sub-Chapter S corporations.  
21    The Company elected a non-tax entity status. The income or loss of the Sub-chapter S  
22    corporation is passed on to the shareholders with no income tax liability to the  
23    corporation. Staff continues to support the Commission's current position of not allowing  
24    income tax expenses to Sub-chapter S corporations, partnerships, sole proprietorships,  
25    and/or limited liability companies.  
26

1 Further, it is Staff's understanding that the Commission's authority for this position was  
2 established in *Consolidated Water Utilities v ACC* 178 Ariz. 478,875 P. 2d 137 (Ariz. Ct.  
3 app 1993). In the decision the court stated:

4  
5 *Recognizing that two of the other forty-nine states have allowed*  
6 *income tax expenses incurred by utility companies operating as Sub-*  
7 *chapter S corporations or sole proprietorships, we also recognize that,*  
8 *in Arizona, the decision to allow or disallow that tax expense is to be*  
9 *made by the Commission, not the courts. See also Tucson Gas, 15*  
10 *Ariz. At 306, 138 P. at 786 (the Commission has exclusive power over*  
11 *rate cases, and this "exclusive field may not be invaded by either the*  
12 *courts, legislative or executive"). Consolidated has not convincingly*  
13 *shown that the Commission erred in disallowing recovery of*  
14 *partnership tax expenses.*

15  
16 **Q. Staff recommended that rate case expense be normalized instead of amortized in its**  
17 **Direct Testimony. Does Staff continue to support its recommendation in its Direct**  
18 **Testimony?**

19 **A. Yes. Expenses are normalized and balance sheet items and assets are amortized.**  
20

## 21 **RATE DESIGN**

22 **Q. Why did Staff recommend no monthly minimum charge for standpipe users?**

23 **A. Staff, in its Direct Testimony, recommended no monthly minimum charge for standpipe**  
24 **users. Staff continues to make this recommendation. A monthly minimum charge is**  
25 **normally associated with permanent customers and is designed to recover the fixed costs**  
26 **related to providing such service. Any fixed costs that may be associated with providing**  
27 **standpipe service are being recovered by the Company by applying the high commodity**  
28 **rate (third tier) to all standpipe water sales.**  
29

1     **Q.     Did the Company propose to change deposit interest from 6 percent to 2 percent?**

2     A.     Yes.

3

4     **Q.     What deposit interest rate is Staff recommending?**

5     A.     Staff continues to recommend the deposit interest rate of 6 percent, in accordance with  
6           Arizona Administrative Code ("A.A.C.") R14-2-403B.3. Interest is a fluctuating item and  
7           has, historically, not been altered to match current rates; up or down.

8

9     **Q.     Did the Company propose a \$50.00 tariff for meter box re-inspection in its Direct**  
10     **and Surrebuttal Testimonies?**

11    A.     Yes.

12

13    **Q.     Did Staff address this item in its Direct Testimony?**

14    A.     Yes. Staff recommended cost.

15

16    **Q.     Is Staff now changing its recommendation?**

17    A.     Yes.

18

19    **Q.     Does Staff support the Company's proposed tariff for the meter box re-inspection of**  
20     **\$50.00?**

21    A.     No.

22

23    **Q.     What is Staff's recommendation for meter box re-inspection?**

24    A.     The Company is proposing adding a service charge of \$50.00 for meter box re-inspection.  
25           Staff opposes such a charge. The customer's responsibility as it pertains to utility property  
26           is addressed in A.A.C. R14-2-407.

1 **Q. Did Staff recommend a charge for deferred payment per month in its Direct**  
2 **Testimony?**

3 A. Yes. Staff recommended 150 percent per month.  
4

5 **Q. Does Staff still recommend this percentage?**

6 A. No. The 150 percent was a typographical error. Staff meant to recommend a deferred  
7 payment of 1.5 percent per month. Staff recommends the 1.5 percent per month for  
8 deferred payment.  
9

10 **Q. Is Staff recommending changing its rates in its Surrebuttal Testimony?**

11 A. Yes. Since Staff increased the recommended revenue requirement, Staff made changes to  
12 its third tier rate to recover the new revenue requirement. (See Surrebuttal Revised  
13 Schedule CRM-12.)  
14

15 **Q. What are Staff's Surrebuttal recommended rates?**

16 A. Staff's recommended monthly minimum charges by meter size are as follows:  
17

Meter Size	Monthly <u>Minimum</u>	Gallons included <u>in Monthly Minimum</u>
5/8-Inch meter (All Classes)	\$8.25	0
3/4-Inch (All Classes)	\$9.28	0
1-Inch meter (All Classes)	\$10.32	0
1 1/2-Inch meter (All Classes)	\$20.64	0
2-Inch meter (All Classes)	\$33.02	0
3-Inch meter (All Classes)	\$66.04	0
4-Inch meter (All Classes)	\$103.19	0
6-Inch meter (All Classes)	\$206.38	0
2-Inch standpipe	\$0.00	0
6-Inch standpipe	\$0.00	0

Staff's recommended commodity charges and tiers by meter size are as follows:

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
5/8-Inch ( Residential) and 3/4-Inch (Residential)	One to 4,000	\$1.35
	4,001 to 10,000	\$1.90
	All gallons over 10,000	\$2.95
5/8 and 3/4-inch meter size (Commercial and Industrial)	One to 10,000	\$1.90
	Over 10,000	\$2.95
1-Inch (All Classes)	One to 12,500	\$1.90
	All gallons over 12,500	\$2.95
1-½ Inch (All Classes)	One to 12,500	\$1.90
	All gallons over 25,000	\$2.95
2- Inch (All Classes)	One to 40,000	\$1.90
	All gallons over 40,000	\$2.95
3- Inch (All Classes)	One to 80,000	\$1.90
	All gallons over 80,000	\$2.95
4- Inch (All Classes)	One to 125,000	\$1.90
	All gallons over 125,000	\$2.95
6- Inch (All Classes)	One to 250,000	\$1.90
	All gallons over 250,000	\$2.95

For construction, bulk and standpipe the rate is \$2.95 per 1,000 gallons with no monthly minimum charge.

"All Classes" means Residential, Commercial, Industrial and Multi-family.

1    **Q.    What is the rate impact on a 5/8 x 3/4 inch meter residential customer using a**  
2    **median consumption of 3,500 gallons?**

3    A.    The median usage of a typical residential 5/8 x 3/4 inch meter customers is 3,500 gallons  
4    per month. Under the rates proposed in the Company's Rebuttal Testimony, the median  
5    residential 5/8 x 3/4 inch meter customer would experience a \$2.46 or 22.62 percent  
6    increase in his or her monthly bill, from \$10.88 to \$13.34. Under Staff's recommendation,  
7    the median residential 5/8 x 3/4 inch meter customer would experience a \$2.10 or 19.31  
8    percent increase in his or her monthly bill, from \$10.88 to \$12.98. (See Surrebuttal  
9    Revised Schedule CRM-13.)

10

11   **Q.    Does this conclude your Surrebuttal Testimony?**

12   A.    Yes, it does.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base - Fair Value equals Original Cost	\$ (748,646)	\$ (748,646)	\$ (748,646)	\$ (748,646)
2	Adjusted Operating Income Loss	\$ (88,860)	\$ (88,880)	\$ (87,692)	\$ (87,692)
3	Current Operating Margin	-12.22%	-12.22%	10.00%	10.00%
4	Required Operating Margin L3/L4	10.28%	10.28%	10.00%	10.00%
5	Required Operating Income	\$ 76,335	\$ 76,335	\$ 72,689	\$ 72,689
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 200,072	\$ 200,072	\$ 163,604	\$ 163,604
7	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1.0000
8	Required Revenue Increase/(Decrease) (L7 * L6)	\$ 200,072	\$ 200,072	<b>\$ 163,604</b>	<b>\$ 163,604</b>
9	Adjusted Test Year Revenue	\$ 563,283	\$ 563,283	\$ 563,283	\$ 563,283
10	Proposed Annual Revenue (L8 + L9)	\$ 763,355	\$ 763,355	\$ 728,887	\$ 728,887
11	Required Increase/(Decrease) in Revenue (%)	35.52%	35.52%	29.04%	29.04%
12	Rate of Return on Equity (%)	NMF	NMF	NMF	NMF
13	Operating Margin (L5/L10)	10.00%	10.00%	10.00%	10.00%

References:

Columns [A] and [B]: Company Schedules

Columns [C] and [D]: STAFF Schedules CRM-2, CRM-3 and CRM-5

NMF - Not Meaningful

**RATE BASE - ORIGINAL COST**

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1 Plant in Service	\$ 8,630,976	\$ -	\$ 8,630,976
2 Less: Accumulated Depreciation	2,039,595	\$ -	\$ 2,039,595
3 Net Plant in Service	<u>\$ 6,591,381</u>	\$ -	<u>\$ 6,591,381</u>
<u>LESS:</u>			
4 Contributions in Aid of Construction (CIAC)	\$ 576,492	\$ -	\$ 576,492
5 Less: Accumulated Amortization	111,381	\$ -	\$ 111,381
6 Net CIAC	<u>465,111</u>	\$ -	<u>\$ 465,111</u>
			\$ -
7 Advances in Aid of Construction (AIAC)	6,874,915	\$ -	\$ 6,874,915
8 Customer Deposits	-	-	-
9 Deferred Income Tax Credits	-	-	-
<u>ADD:</u>			
10 Unamortized Finance Charges	-	-	-
11 Deferred Income Tax Debits	-	-	-
12 Working Capital	-	-	-
13 Intentionally Left Blank	-	-	-
17 Original Cost Rate Base	<u>\$ (748,646)</u>	\$ -	<u>\$ (748,646)</u>

References:

Column [A], Company Schedule B-1  
Column [B]: Column [C] - Column [A]



OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] Revised STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
<b>REVENUES:</b>						
1	Metered Water Sales	\$ 551,198	\$ -	\$ 551,198	\$ 163,604	\$ 714,802
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenue	12,085	-	12,085	-	12,085
4	<b>Total Operating Revenues</b>	<b>\$ 563,283</b>	<b>\$ -</b>	<b>\$ 563,283</b>	<b>\$ 163,604</b>	<b>\$ 726,887</b>
<b>OPERATING EXPENSES:</b>						
5						
6	Salaries and Wages	\$ 180,508	-	1 \$ 180,508	\$ -	\$ 180,508
7	Purchased Water	-	-	-	-	-
8	Purchased Power	17,400	-	17,400	-	17,400
9	Chemicals	-	-	-	-	-
10	Repairs and Maintenance	76,477	(10,764)	2 65,713	-	65,713
11	Office Supplies and Expense	15,427	-	15,427	-	15,427
12	Outside Services	15,105	-	15,105	-	15,105
13	Water Testing	11,154	365	3 11,519	-	11,519
14	Rents	-	-	-	-	-
15	Transportation Expenses	2,018	-	2,018	-	2,018
16	Insurance - General Liability	3,317	-	3,317	-	3,317
17	Insurance - Health and Life	22,691	-	22,691	-	22,691
18	Insurance - Worker's Compensation	7,832	-	7,832	-	7,832
19	Reg. Comm. Exp.- Rate Case	15,000	-	15,000	-	15,000
20	Miscellaneous Expenses	8,494	-	8,494	-	8,494
21	Depreciation Expense	240,272	(1,687)	4 238,585	-	238,585
22	Taxes Other than Income	15,140	-	15,140	-	15,140
23	Property Taxes	27,334	4,891	5 32,225	3,223	35,448
24	Income Taxes	(26,026)	26,026	6 -	-	-
25	Intentionally Left blank(Rounding)	-	-	-	-	-
26						
27	<b>Total Operating Expenses</b>	<b>632,143</b>	<b>18,832</b>	<b>650,975</b>	<b>3,223</b>	<b>654,198</b>
28	<b>Operating Income (Loss)</b>	<b>\$ (68,860)</b>	<b>\$ (18,832)</b>	<b>\$ (87,692)</b>	<b>\$ 160,381</b>	<b>\$ 72,689</b>

References:

Column (A): Company Schedule C-1  
Column (B): Testimony  
Column (C): Column (A) - Column (B)  
Column (D): Schedules CRM-5 & 6  
Column (E): Column (C) + Column (D)

**OPERATING INCOME ADJUSTMENT #5 - PROPERTY TAX EXPENSE**

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2006	\$ 563,283	\$ 563,283
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,126,566	\$ 1,126,566
4	Staff Recommended Revenue	563,283	\$ 726,887
5	Subtotal (Line 4 + Line 5)	\$ 1,689,849	\$ 1,853,453
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 563,283	\$ 617,818
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,126,566	\$ 1,235,635
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	35,933	35,933
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,090,633	\$ 1,199,702
13	Assessment Ratio	23.00%	23.00%
14	Assessment Value (Line 12 * Line 13)	\$ 250,846	\$ 275,932
15	Composite Property Tax Rate - Obtained from ADOR	12.8467%	12.8467%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 32,225	
17	Company Proposed Property Tax	27,334	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 4,891	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 35,448
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 32,225
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		\$ 3,223
22	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 3,223
23	Increase (Decrease) in Revenue Requirement		\$ 163,604
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.96983%

**REFERENCES:**

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue  
Line 17: Company Schedule C-1 Page 2  
Line 21: Line 19 - Line 20  
Line 23: Schedule CRM-1

**RATE DESIGN**

Monthly Minimum	Present Rates	Company Proposed	Staff Recommended
5/8-inch Meter (All Classes)	\$ 6.50	\$ 8.26	\$ 8.25
3/4-inch Meter (All Classes)	\$ 6.50	\$ 8.26	\$ 9.28
1-inch Meter (All Classes)	\$ 9.00	\$ 10.32	\$ 10.32
1 1/2-inch Meter (All Classes)	\$ 13.00	\$ 20.64	\$ 20.64
2-inch Meter (All Classes)	\$ 19.50	\$ 33.02	\$ 33.02
3-inch Meter (All Classes)	\$ 25.00	\$ 66.04	\$ 66.04
4-inch Meter (All Classes)	\$ 32.00	\$ 103.19	\$ 103.19
6-inch Meter (All Classes)	\$ 40.00	\$ 206.38	\$ 206.38
2-inch Standpipe	\$ 19.50	\$ 33.02	\$ -
6-inch Standpipe	\$ 40.00	\$ 206.38	\$ -

Gallons in the Minimum

Commodity Rates

Per 1,000 Gallons

<u>5/8-inch Meter-Residential</u>				
Tiers				
1 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,001 - 10,000 Gall.	1.45	\$ -	\$ -	
Over 10,000 Gallon	1.65	\$ -	\$ -	
1 - 4,000 Gallons	\$ -	\$ 1.45	\$ 1.35	
4,001 - 10,000 Gall.	\$ -	1.92	1.90	
Over 10,000 Gallon	\$ -	2.49	2.95	
<u>5/8-inch Meter-Commercial and Industrial</u>				
1 to 10,000 Gallons		\$ 1.90	\$ 1.90	
Over 10,000 Gallons		\$ 2.49	\$ 2.95	
<u>3/4-inch Meter Residential</u>				
1 - 4,000 Gallons	n/a	n/a	\$ 1.35	
4,001 to 10,000 Ga	n/a	n/a	\$ 1.90	
Over 10,000 Gallon	n/a	n/a	\$ 2.95	
<u>1-inch Meter (All Classes)</u>				
0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
1 to 12,500 Gallons	NA	\$ 1.90	\$ 1.90	
Over 12,500 Gallon	NA	\$ 2.49	\$ 2.95	
<u>1 1/2-inch Meter: (All Classes)</u>				
0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
1 - to 25,000 Gallon	\$ -	\$ 1.90	\$ 1.90	
Over 25,000 Gallon	\$ -	\$ 2.49	\$ 2.95	
<u>2-inch Meter (All Classes)</u>				
0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
1 - 40,000 Gallons	\$ -	\$ 1.90	\$ 1.90	
Over 40,000 Gallon	\$ -	\$ 2.49	\$ 2.95	
<u>3-inch Meter (All Classes)</u>				
0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
1 - 80,000 Gallons	\$ -	\$ 1.90	\$ 1.90	
Over 80,000 Gallon	\$ -	\$ 2.49	\$ 2.95	
<u>4-inch Meter (All Classes)</u>				
0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
1 - to 125,000 Gall.	\$ -	\$ 1.90	\$ 1.90	
Over 125,000 Gall.	\$ -	\$ 2.49	\$ 2.95	
<u>6-inch Meter (All Classes)</u>				
0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
1 - 250,000 gallons	\$ -	\$ 1.90	\$ 1.90	
Over 250,000 Gall.	\$ -	\$ 2.49	\$ 2.95	
<u>2-inch Standpipe</u>				
Per 1,000 Gallons	\$ 1.25	\$ 2.49	\$ 2.95	
<u>6-inch Standpipe</u>				
Per 1,000 Gallons	\$ 1.25	\$ 2.49	\$ 2.95	

	Present Service Line Charge	Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Meter Installation Charge	Total Recommended Charge
<u>Meter and Service Line Installation Charges</u>									
5/8 x 3/4-inch Meter	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4-inch Meter	\$ 385.00	\$ 215.00	\$ 600.00	\$ 415.00	\$ 205.00	\$ 620.00	\$ 415.00	\$ 205.00	\$ 620.00
1-inch Meter	\$ 435.00	\$ 255.00	\$ 690.00	\$ 465.00	\$ 265.00	\$ 730.00	\$ 465.00	\$ 265.00	\$ 730.00
1 1/2-inch Meter	\$ 470.00	\$ 465.00	\$ 935.00	\$ 520.00	\$ 475.00	\$ 995.00	\$ 520.00	\$ 475.00	\$ 995.00
2-inch Turbine Meter	\$ 830.00	\$ 985.00	\$ 1,595.00	\$ 800.00	\$ 995.00	\$ 1,795.00	\$ 800.00	\$ 995.00	\$ 1,795.00
2-inch Compound Meter	\$ 830.00	\$ 1,690.00	\$ 2,320.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00
3-inch Turbine Meter	\$ 805.00	\$ 1,470.00	\$ 2,275.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00
3-inch Compound Meter	\$ 845.00	\$ 2,285.00	\$ 3,110.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00
4-inch Turbine Meter	\$ 1,170.00	\$ 2,350.00	\$ 3,520.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00
4-inch Compound Meter	\$ 1,230.00	\$ 3,245.00	\$ 4,475.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00
6-inch Turbine Meter	\$ 1,730.00	\$ 4,545.00	\$ 6,275.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00
6-inch Compound Meter	\$ 1,770.00	\$ 6,280.00	\$ 8,050.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00
8-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Note: Meter charge includes meter box or vault.

Other Service Charges	Present Rates	Proposed	Recommended
Establishment of Service:	\$ 25.00	\$ 35.00	\$ 35.00
Establishment (After Hours)	\$ 25.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent)	\$ 25.00	\$ 40.00	\$ 40.00
reconnection (delinquent and After Hours)	N/T	\$ 55.00	\$ 55.00
Meter Test (if meter reading correctly)	\$ 25.00	\$ 25.00	\$ 25.00
Hydrant Meter Deposit (refundable)	N/T	\$ 150.00	\$ 150.00
Deposit	.	.	.
Deposit Interest	.	.	6%
Re-Establishment (Within 12 Months)	--	--	--
NSF Check Charge	\$ 20.00	\$ 20.00	\$ 20.00
Deferred Payment Per Month	N/T	1.50%	1.50%
Meter Re-read (if Correct)	\$ 20.00	\$ 20.00	\$ 20.00
After hours service charge, per Rule R-14-2-403D	N/T	Cost	Cost
Late Charge per month	N/T	1.50%	1.50%
Meter Tampering Charge	N/T	Cost	Cost
Meter Box "Cut Lock" Charge	N/T	Cost	Cost
Meter Box Re-Inspection	N/T	\$ 50.00	--

Company's Proposed

- \* Per Commission Rule (R-14-2-403B)
- \*\* Months off system times the minimum Per XCommission Rule (R14-2-403D)
- N/T No Tariff

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D5)

All advances and/or contributions are to include labor, materials, overheads, and all applicable taxes.

Staff's Recommended

- \* Per rule R14-2-403.B
- \*\* Months off system time the minimum (R-14-2-403.D)
- Late Charge 1.50 percent of the unpaid balance per month.
- \*\*\* Per rule R-14-2-407.B

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, or use tax Per Commission Rule (14-2-409.D5)

Typical Bill Analysis  
Residential 5/8 Inch Meter

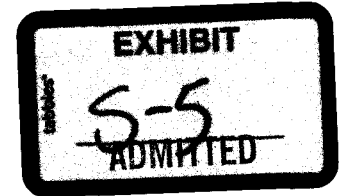
Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,898	\$ 14.05	\$ 17.70	\$ 3.65	25.99%
Median Usage	3,500	10.88	13.34	\$ 2.46	22.62%
<b>Staff Recommended</b>					
Average Usage	5,898	\$ 14.05	\$ 17.26	\$ 3.20	22.80%
Median Usage	3,500	10.88	12.98	\$ 2.10	19.31%

Present & Proposed Rates (Without Taxes)  
Residential 5/8 Inch Meter

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 6.50	\$ 8.26	27.08%	\$ 8.25	26.92%
1,000	7.75	9.71	25.29%	9.60	23.87%
2,000	9.00	11.16	24.00%	10.95	21.67%
3,000	10.25	12.61	23.02%	12.30	20.00%
3,500	10.88	13.34	22.82%	12.98	19.31%
4,000	11.50	14.06	22.26%	13.65	18.70%
5,000	12.75	15.98	25.33%	15.55	21.96%
5,500	13.48	16.94	25.71%	16.50	22.45%
5,898	14.05	17.70	25.99%	17.26	22.80%
6,000	14.20	17.90	26.06%	17.45	22.89%
7,000	15.65	19.82	26.65%	19.35	23.64%
7,376	16.20	20.54	26.84%	20.06	23.89%
8,000	17.10	21.74	27.13%	21.25	24.27%
9,000	18.55	23.66	27.55%	23.15	24.80%
10,000	20.00	25.58	27.90%	25.05	25.25%
11,000	21.65	28.07	29.65%	28.00	29.33%
12,000	23.30	30.56	31.16%	30.95	32.83%
13,000	24.95	33.05	32.46%	33.90	35.87%
14,000	26.60	35.54	33.61%	36.85	38.53%
15,000	28.25	38.03	34.82%	39.80	40.88%
16,000	29.90	40.52	35.52%	42.75	42.98%
17,000	31.55	43.01	36.32%	45.70	44.85%
18,000	33.20	45.50	37.05%	48.65	46.54%
19,000	34.85	47.99	37.70%	51.60	48.06%
20,000	36.50	50.48	38.30%	54.55	49.45%
25,000	44.75	62.93	40.63%	69.30	54.86%
30,000	53.00	75.38	42.23%	84.05	58.58%
35,000	61.25	87.83	43.40%	98.80	61.31%
40,000	69.50	100.28	44.29%	113.55	63.38%
45,000	77.75	112.73	44.99%	128.30	65.02%
50,000	86.00	125.18	45.56%	143.05	66.34%
75,000	127.25	187.43	47.29%	216.80	70.37%
100,000	168.50	249.68	48.18%	290.55	72.43%

**RATE DESIGN**

	Present Rates	Company Proposed	Staff Recommended
Monthly Minimum			
5/8-Inch Meter (All Classes)	\$ 6.50	\$ 8.26	\$ 8.25
3/4-inch Meter (All Classes)	\$ 6.50	\$ 8.26	\$ 9.28
1-inch Meter (All Classes)	\$ 9.00	\$ 10.32	\$ 10.32
1 1/2-Inch Meter (All Classes)	\$ 13.00	\$ 20.64	\$ 20.64
2-Inch Meter (All Classes)	\$ 19.50	\$ 33.02	\$ 33.02
3-Inch Meter (All Classes)	\$ 25.00	\$ 66.04	\$ 66.04
4-Inch Meter (All Classes)	\$ 32.00	\$ 103.19	\$ 103.19
6-Inch Meter (All Classes)	\$ 40.00	\$ 206.38	\$ 206.38
2-Inch Standpipe	\$ 19.50	\$ 33.02	\$ -
6-Inch Standpipe	\$ 40.00	\$ 206.38	\$ -



Gallons in the Minimum

Commodity Rates

Per 1,000 Gallons

<u>5/8-Inch Meter-Residential</u>	Tiers				
	1 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,001 - 10,000 Gall.	1.45	\$ -	\$ -	
	Over 10,000 Gallon	1.65	\$ -	\$ -	
	1 - 4,000 Gallons	\$ -	\$ 1.45	\$ 1.35	
	4,001 - 10,000 Gall.	\$ -	1.92	1.90	
	Over 10,000 Gallon	\$ -	2.49	2.45	
<u>5/8-Inch Meter-Commercial and Industrial</u>	1 to 10,000 Gallons		\$ 1.90	\$ 1.90	
	Over 10,000 Gallons		2.49	2.45	
<u>3/4-inch Meter Residential</u>	1 - 4,000 Gallons	n/a	n/a	\$ 1.35	
	4,001 to 10,000 Ga	n/a	n/a	1.90	
	Over 10,000 Gallon	n/a	n/a	2.45	
<u>1-inch Meter (All Classes)</u>	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
	Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
	1 to 12,500 Gallons	NA	\$ 1.90	\$ 1.90	
	Over 12,500 Gallon	NA	2.49	2.45	
<u>1 1/2-inch Meter: (All Classes)</u>	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
	Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
	1 - to 25,000 Gallor	\$ -	\$ 1.90	\$ 1.90	
	Over 25,000 Gallon	\$ -	2.49	2.45	
<u>2-inch Meter (All Classes)</u>	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
	Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
	1 - 40,000 Gallons	\$ -	\$ 1.90	\$ 1.90	
	Over 40,000 Gallon	\$ -	2.49	2.45	
<u>3-inch Meter (All Classes)</u>	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
	Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
	1 - 80,000 Gallons	\$ -	\$ 1.90	\$ 1.90	
	Over 80,000 Gallon	\$ -	2.49	2.45	
<u>4-inch Meter (All Classes)</u>	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
	Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
	1 - to 125,000 Gall	\$ -	\$ 1.90	\$ 1.90	
	Over 125,000 Gall	\$ -	2.49	2.45	
<u>6-inch Meter (All Classes)</u>	0 - 5,000 Gallons	\$ 1.25	\$ -	\$ -	
	5,000 to 10,000 Ga	\$ 1.45	\$ -	\$ -	
	Over 10,000 Gallon	\$ 1.65	\$ -	\$ -	
	1 - 250,000 gallons	\$ -	\$ 1.90	\$ 1.90	
	Over 250,000 Gall	\$ -	2.49	2.45	
<u>2-Inch Standpipe</u>	Per 1,000 Gallons	\$ 1.25	\$ 2.49	\$ 2.45	
<u>6-Inch Standpipe</u>	Per 1,000 Gallons	\$ 1.25	\$ 2.49	\$ 2.45	

	Present Service Line Charge	Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Meter Installation Charge	Total Recommended Charge
<u>Meter and Service Line Installation Charges</u>									
5/8 x 3/4-inch Meter	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4-inch Meter	\$ 385.00	\$ 215.00	\$ 600.00	\$ 415.00	\$ 205.00	\$ 620.00	\$ 415.00	\$ 205.00	\$ 620.00
1-inch Meter	\$ 435.00	\$ 255.00	\$ 690.00	\$ 465.00	\$ 265.00	\$ 730.00	\$ 465.00	\$ 265.00	\$ 730.00
1 1/2-inch Meter	\$ 470.00	\$ 465.00	\$ 935.00	\$ 520.00	\$ 475.00	\$ 995.00	\$ 520.00	\$ 475.00	\$ 995.00
2-inch Turbine Meter	\$ 630.00	\$ 965.00	\$ 1,595.00	\$ 800.00	\$ 995.00	\$ 1,795.00	\$ 800.00	\$ 995.00	\$ 1,795.00
2-inch Compound Meter	\$ 630.00	\$ 1,690.00	\$ 2,320.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00
3-inch Turbine Meter	\$ 805.00	\$ 1,470.00	\$ 2,275.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00
3-inch Compound Meter	\$ 845.00	\$ 2,265.00	\$ 3,110.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00
4-inch Turbine Meter	\$ 1,170.00	\$ 2,350.00	\$ 3,520.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00
4-inch Compound Meter	\$ 1,230.00	\$ 3,245.00	\$ 4,475.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00
6-inch Turbine Meter	\$ 1,730.00	\$ 4,545.00	\$ 6,275.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00
6-inch Compound Meter	\$ 1,770.00	\$ 6,280.00	\$ 8,050.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00
8-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12-inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Note: Meter charge includes meter box or vault.

	Present Rates	Proposed	Recommended
Other Service Charges			
Establishment of Service:	\$ 25.00	\$ 35.00	\$ 35.00
Establishment (After Hours)	\$ 25.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent)	\$ 25.00	\$ 40.00	\$ 40.00
reconnection (delinquent and After Hours)	N/T	\$ 55.00	\$ 55.00
Meter Test (if meter reading correctly)	\$ 25.00	\$ 25.00	\$ 25.00
Hydrant Meter Deposit (refundable)	N/T	\$ 150.00	\$ 150.00
Deposit	*	*	*
Deposit Interest	**	**	6%
Re-Establishment (Within 12 Months)			
NSF Check Charge	\$ 20.00	\$ 20.00	\$ 20.00
Deferred Payment Per Month	N/T	1.50%	1.50%
Meter Re-read (If Correct)	\$ 20.00	\$ 20.00	\$ 20.00
After hours service charge, per Rule R-14-2-403D	N/T	Cost	Cost
Late Charge per month	N/T	1.50%	1.50%
Meter Tampering Charge	N/T	Cost	Cost
Meter Box "Cut Lock" Charge	N/T	Cost	Cost
Meter Box Re-Inspection	N/T	\$ 50.00	***

5-5

Company's Proposed

- \* Per Commission Rule (R-14-2-403B)
  - \*\* Months off system times the minimum Per XCCommission Rule (R14-2-403D)
  - N/T No Tariff
- In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D5)
- All advances and/or contributions are to include labor, materials, overheads, and all applicable taxes.

Staff's Recommended

- \* Per rule R14-2-403.B
  - \*\* Months off system time the minimum (R-14-2-403.D)
- Late Charge 1.50 percent of the unpaid balance per month.
- \*\*\* Per rule R-14-2-407.B
- In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, or use tax Per Commission Rule (14-2-409.D5)